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CONTENTS

MESSAGE FROM THE CHAIR TO THE MINISTER 4

ORGANIZATION OVERVIEW 6

CORPORATE GOVERNANCE 7

REPORT ON PERFORMANCE 8

- BUSINESS AREAS AND OUTPUTS 8
- PERFORMANCE MEASURES, TARGETS AND RESULTS 17
- SUMMARY OF HPO MISSION, GOALS, OBJECTIVES AND STRATEGIES 18
- PERFORMANCE MEASUREMENT SYSTEMS 30

PROGRESS AGAINST SHAREHOLDER'S LETTER OF EXPECTATIONS 32

GLOSSARY OF TERMS 33

FINANCIAL REPORT MARCH 31, 2008

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Message from the Chair to the Minister

KEN MACLEOD
CHAIR

Honourable Rich Coleman
Ministry of Forests and Range
Minister Responsible for Housing
Province of British Columbia

Minister,

It is with pleasure that I submit the 2007-2008 Annual Report for the Homeowner Protection Office (HPO).

As we celebrate the HPO's 10th anniversary in 2008, we are proud of the role the HPO has played in building one of the best systems of construction defect protection for new homebuyers in Canada, working with industry partners to raise the bar of professionalism in residential construction, expanding research and education programs, and assisting owners of water-damaged homes.

These results demonstrate what can be achieved by working in partnership with government, industry and consumer groups. The benefits of collaboration are particularly evident when reflecting on the significant strides made in 2007/08.

In November 2007, the Province implemented important changes to the *Homeowner Protection Act* that further enhance consumer protection and strengthen the HPO's role. The *Homeowner Protection Amendment Act* and Regulation have facilitated a number of improvements:

- Providing the HPO with the enforcement tools necessary to improve its regulatory role in the residential construction industry, including the authority to issue compliance orders and penalties;
- Curtailing abuse of the owner-builder exemption by introducing stricter eligibility requirements for owner builders who are now required to apply for authorization and pay a fee; and
- Providing prospective homebuyers with more information about home builders and new homes through an online public registry that will soon be available on the HPO's expanded website.

The legislative changes also provide a statutory basis for implementing a new system of qualifications for Licensed Residential Builders. During 2007/08, the HPO continued its collaborative, industry-led work to define these qualifications.

Residential builder licenses reached a record level of 5,706 during the year, reflecting an industry that is an economic powerhouse for British Columbia. Builder satisfaction with the HPO's licensing system continues to be high. Results of the 2007 province-wide builder survey, conducted by an independent research company, confirm that residential builder satisfaction with the overall system has increased significantly to 92%.

In line with its mandate under the *Homeowner Protection Act*, the HPO continued to provide financial assistance to all eligible owners of water-damaged homes and housing co-operatives. Introduced in 1998, the Reconstruction Program ensures that no homeowner has to lose their home to foreclosure due to their inability to pay for the cost of building envelope repairs.

During the year, the HPO commissioned research on forecast demand for the Reconstruction Program which indicates that demand for financial assistance under the Program will remain high for the next five to ten years.

In the light of the newly available information on the forecast demand for the Reconstruction Program and its financial implications, government requested that the HPO conduct a program review of the Reconstruction Program to determine that the Program is meeting its original intent in the most efficient and cost-effective manner. The results of this review will be considered by the HPO and by government within the context of the Province's overall policy objectives and priorities.

The HPO experienced strong revenue growth during the 2007/08 fiscal year, largely as a result of the introduction

Message from the Chair to the Minister

of a fee for owner builder authorizations, and an increase in the per-unit license fee, as well as an increase in the number of licences issued. With the exception of the Reconstruction Program, expenditures were similar to previous years.

Strong demand for assistance from homeowners and cooperatives under the Reconstruction Program led to unusually high expenditures in this program area, which significantly exceeded the funding available for the Program from the Reconstruction Levy. The result was a significant deficit within the Reconstruction Program which, due to the Program's financial magnitude in relation to the rest of the HPO's programs, led to a deficit for the HPO as a whole. This situation, which has arisen in the past, occurs because there is no relationship between the factors that generate demand for program assistance and those that produce its revenues.

There were no significant variances to the HPO's results in relation to its service plan performance measures. In most cases, the targets were met or progress was made toward achieving the targets. Market and industry factors which could affect the performance of the HPO include: the strong but softening housing market, industry and consumer demand for HPO's research and education initiatives, and increasing demand for financial assistance for owners of water-damaged homes in an environment of rising repair costs and increasing interest rates.

ACCOUNTABILITY STATEMENT

The 2007-2008 Homeowner Protection Office Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The board is accountable for the contents of the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of the HPO for the twelve months ended March 31, 2008, in relation to the 2007-2010 Homeowner Protection Office Service Plan. The measures presented are consistent with the HPO's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to make sure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of March 31, 2008, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the 2007-2010 Homeowner Protection Office Service Plan was released and any significant limitations in the reliability of data are identified in the report.

Sincerely,

KEN MACLEOD
CHAIR

Organization Overview

WHO WE ARE

This year marks the 10th anniversary of the Homeowner Protection Office (HPO) which opened its doors on October 1, 1998. Established as a Crown Corporation under the authority of the *Homeowner Protection Act (Act)* the HPO has a mandate to:

- strengthen consumer protection for buyers of new homes
- help bring about improvements to the quality of residential construction
- support research and education for residential construction in British Columbia, and
- provide financial assistance to qualified owners of water-damaged homes.

The Province implemented changes to the *Act* in November 2007 that further enhance consumer protection and strengthen the HPO's regulatory role.

WHAT WE DO

The HPO employs a team of 35 full-time equivalents and is responsible for:

- licensing residential builders and building envelope renovators province-wide
- administering owner builder authorizations
- monitoring the performance of the third-party home warranty insurance system underwritten by the private sector
- carrying out research and education which benefits the residential construction industry and consumers, and
- administering financial assistance programs for owners of water-damaged homes in the form of the Reconstruction Program and the Province's PST Relief Grant Program.

WHERE WE ARE

Located in downtown Vancouver, the HPO also has a team of compliance officers assigned to various territories across the province. The compliance officers, who are primarily responsible for monitoring and ensuring compliance with the *Act* and regulations, also help to maintain our partnerships with municipalities and regional districts.

WHO WE SERVE

In keeping with our mandate, the HPO serves homeowners (particularly owners of homes covered by home warranty insurance and owners of water-damaged homes), potential buyers of new homes and people arranging for new homes to be built, developers, residential builders including owner builders, and building envelope renovators. The HPO also works closely with warranty providers, building officials, industry and related consumer associations, governments including local governments and Canada Mortgage and Housing Corporation, educational institutions, research organizations, architects, engineers, financial institutions, property managers, the legal community and the real estate community.

BENEFITS PROVIDED TO THE PUBLIC

Through the delivery of its programs, the HPO helps ensure that buyers of new homes benefit from ongoing improvements in the quality of residential construction and are protected from construction defects. The HPO is proud of the role it has played in building one of the best systems of construction defect protection for buyers of new homes in Canada.

Owners of water-damaged homes have access to information that assists in the process of managing repairs. Eligible owners have access to financial assistance to ensure that they do not have to lose their homes to foreclosure due to the cost to repair building envelope failure.

Consumer satisfaction is regularly measured through surveys conducted by an independent research firm on behalf of the HPO.

OUR STRATEGIC FOUNDATION

The HPO's strategic foundation is structured around the Vision, Mission and four key values that together with the *Shareholder's Letter of Expectations* (see page 32) guide the performance of the organization in carrying out its mandate under the *Homeowner Protection Act*.

OUR VISION: A professional organization that directly acts to enable a robust and respected residential construction industry in which consumers have confidence and industry partners have the ability to thrive.

OUR MISSION: To protect buyers of new homes from undue risk and assist the residential construction industry to mitigate that risk.

OUR VALUES: We are guided by our commitment to:

- fairness
- competence
- common ground, and
- usefulness.

Corporate Governance

Minister of Forests and Range, Minister Responsible for Housing
Honourable Rich Coleman
Board of Directors[1]
Ken MacLeod[1]
Chair, retired former Deputy Minister responsible at various times for housing, municipal affairs, culture and recreation
Maureen Enser[1,2]
Executive Director of the Urban Development Institute
Eric Gerrits
Past president of the Canadian Home Builders' Association of B.C. and President of Homescape Building and Design Inc.
Antonio Gioventu[1,2]
Executive Director of the Condominium Home Owners' Association
Don Goedbloed[1]
Retired Senior Vice-president of Stuart Olson Construction Ltd.
Joe Redmond[1]
Retired Vice-president of UBC Properties Trust
Peter Schultze
Past president of the Canadian Home Builders' Association of B.C. and President of Peter Schultze Construction Ltd.
Chief Executive Officer
Ken Cameron
Chief Operating Officer / Registrar
Bob Maling
Provincial Advisory Council[4]
Research and Education
Denisa Ionescu, A/Manager, Research and Education
Licensing
Wendy Acheson, Manager, Licensing and Deputy Registrar
Loans
Sharon Turk, Manager, Loans
Finance & Administration
Linda McKay, Manager, Finance and Administration
Communications
Karen Karaloukas, A/Manager, Communications and Service Planning

DEPARTMENT RESPONSIBILITIES

Research and Education	Licensing	Loans	Finance and Administration	Communications and Service Planning
Building science research Consumer/industry education and training Dissemination of research results and support of establishing "best practices" Provision of input and advice on amendments to the building code	Administration of the *Homeowner Protection Act* and regulations as they pertain to residential builder licensing, home warranty insurance and exemptions for residential construction Licensing of residential builders and authorizing owner builders Maintenance of registry of licensed builders	Delivery of the Reconstruction Program Administration of the PST Relief Grant Program Participation at on-site strata meetings to provide information on financial assistance programs	Financial reporting Human resources Information systems Administration of the Office Budgetary planning and expenditure control	Issues management, communications planning and media relations Development and implementation of strategies for consumer and industry communications Management of information line, website, events and publications Support for HPO's education mandate Development of Annual Report and Service Plan

The Board is appointed by the Lieutenant Governor in Council and is responsible for the governance of the HPO. The Board monitors performance during the year through regular board meetings including status reports, on-going interaction with the residential construction industry and the Provincial Advisory Council on Homeowner Protection as well as independent surveys.

[1] Member of the Audit and Finance Committee which assists the Board in fulfilling its fiduciary and oversight responsibilities relating to financial reporting and the audit process.

[2] Member of the Governance Committee which conducts the CEO's performance evaluation and recommends the implementation strategy for the Best Practice Guidelines for governance.

[4] The Provincial Advisory Council on Homeowner Protection provides policy advice to the HPO CEO regarding residential construction in B.C., research and education initiatives, and consumer information programs. The council includes representatives from the following organizations:

Architectural Institute of B.C.	Condominium Home Owners' Association	Building Officials Association of B.C.
B.C. Construction Association	Co-operative Housing Federation of B.C.	Independent Contractors and Businesses Association of B.C.
Union of British Columbia Municipalities	City of Vancouver	
Canadian Home Builders' Association of B.C.	Home warranty insurance provider	B.C. Federation of Labour – 2 representatives
Association of Professional Engineers and Geoscientists	Urban Development Institute	

The Homeowner Protection Office complies, as appropriate, with the Board Resourcing and Development Office's *Best Practice Guidelines for Governing Boards of the BC Public Sector Organizations*. The *HPO's Board of Directors Governance Manual* can be found on the "About HPO/Governance" page of our website at www.hpo.bc.ca.

Report on Performance

BUSINESS AREAS AND OUTPUTS

LICENSING AND HOME WARRANTY INSURANCE

The Homeowner Protection Office (HPO) is responsible for:

- licensing residential builders and building envelope renovators
- monitoring the performance of the mandatory, third-party home warranty insurance system for new construction and building envelope renovations, and
- ensuring that all new homes built in the province are either covered by home warranty insurance or eligible for an appropriate exemption.

Since its inception in 1998, the HPO has played a pivotal role in building what is widely viewed as among the best systems of construction defect protection for new home buyers in Canada. The system administered by the HPO establishes a solid foundation for the protection of owners of new homes and improvements in residential construction in British Columbia. More than 39,000 new homes were enrolled with mandatory home insurance warranty during this fiscal year, the highest yearly total since the inception of the *Homeowner Protection Act (Act)*.

2007/08 Licensing and Warranty Insurance Highlights

as at March 31, 2008

- 5,706 licences issued to residential builders (new and renewal)
- 39,598 new homes enrolled in home warranty insurance
- 3,742 owner-builder exemptions (single detached homes) issued
- 1,160 units with rental warranty exemptions (multi-unit)
- 65 licences issued to building envelope renovators (new and renewal)
- 2,336 building envelope renovations with home warranty insurance (units)

NEW LEGISLATION

One of the significant milestones during the year was the introduction of the *Homeowner Protection Amendment Act* and Regulation which came into force on November 19, 2007.

The amendments strengthen the ability of the Homeowner Protection Office to be an effective partner with local government and industry in the regulation of residential construction throughout the province, raise the bar of professionalism, and enhance protection for new homebuyers. In brief, the amendments:

- require anyone wishing to build a home as an owner builder to meet more stringent requirements
- strengthen enforcement provisions, including compliance orders and monetary penalties
- permit the Homeowner Protection Office to provide more information on the public registry, and
- provide an internal review and independent appeal process for both Licensed Residential Builders and owner builders.

The legislative changes have resulted in the implementation of new streamlined processes at the HPO, including a cost-effective and efficient online application for owner builder authorizations and other services for bona fide owner builders. The changes have resulted in fewer owner builder applications, an indicator that the stricter eligibility requirements have helped close a loophole in the earlier legislation.

The new legislation also provides a statutory basis for the introduction of a new system of minimum qualifications for licensees. During 2007/08, the HPO continued collaborative efforts with industry leaders to identify the specifics of the professional qualifications.

Work also commenced on a Registry of New Homes that will soon be available on the HPO website for prospective homebuyers. Members of the public will be able to search the registry to see whether a home built after November 19, 2007 was owner-built, exempt as a purpose-built rental or if it was built by a Licensed Residential Builder with a policy of home warranty insurance in place.

Report on Performance

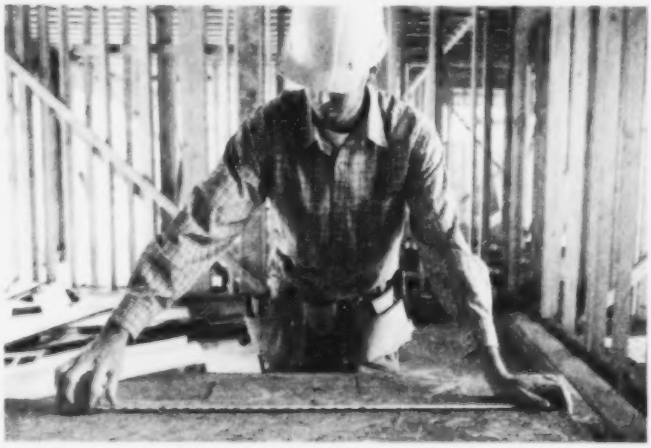
Licensing and Home Warranty Insurance

Licensing

Residential builders, including developers, must be licensed by the HPO and arrange for home warranty insurance in order to obtain a building permit (or prior to commencing construction in non-permit areas of the province). This fiscal year saw more residential builders become licensed in the province than any previous year.

Building envelope renovators are also required to be licensed by the HPO and provide home warranty insurance on building envelope renovations for multi-unit residential buildings less than 25 years old where those renovations exceed a specified dollar value and percentage of building face repaired.

A searchable registry of Licensed Residential Builders and Building Envelope Renovators is available to the public on the HPO website.



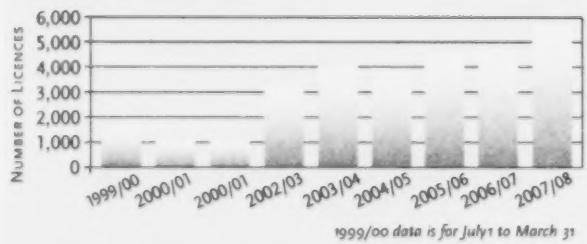
OWNER BUILDERS

Effective from November 19, 2007, anyone wishing to build a home as an owner builder in order to be exempt from licensing and home warranty insurance requirements is now required to meet more stringent eligibility criteria. This includes applying for an Owner Builder Authorization from the HPO and paying a fee prior to commencing construction of a new home.

Changes to the *Act* and Regulation also affect the buying and selling of homes, further strengthening protection for buyers of new homes in British Columbia. An owner builder must occupy the new home themselves for at least one year and are not permitted to sell or rent the new home during that one-year period without permission from the registrar.

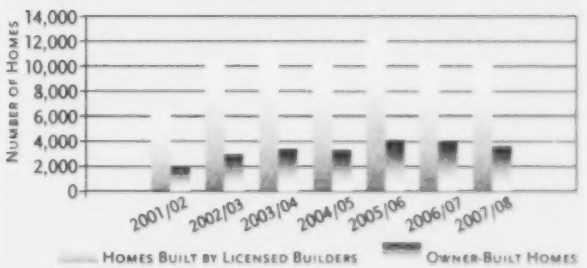
Unless an owner builder has arranged for 2-5-10 home warranty insurance from a warranty provider, they do not have the backing of a home warranty insurance company and are personally liable for construction defects in the new home during this 10-year period. If an owner builder sells their new home within 10 years of occupancy, they must provide a disclosure notice obtained from the HPO to any prospective purchasers. The disclosure notice informs the purchaser that the home was built by the owner builder and whether or not there is a policy of home warranty insurance in place for the home.

LICENCES ISSUED TO RESIDENTIAL BUILDERS



1999/00 data is for July 1 to March 31

COMPARISON OF SINGLE DETACHED HOMES BUILT BY LICENSED BUILDERS AND OWNER BUILDERS



Report on Performance

LICENSING AND HOME WARRANTY INSURANCE

COMPLIANCE

Administering the *Act* involves significant compliance efforts on the part of the HPO, ensuring that individuals and companies required to be licensed under the legislation are licensed and that new homes are all covered by home warranty insurance unless they are legally entitled to an exemption.

Compliance work includes reviewing and monitoring owner-builder exemptions to ensure that individuals are not abusing the exemption to avoid licensing and home warranty insurance requirements put in place to protect consumers. Compliance efforts also include ensuring that residential builders with expired or closed licences are not operating illegally, and that homes issued a building permit are enrolled, and continue to be enrolled, in home warranty insurance throughout construction.

Although most compliance issues are still resolved on a voluntary basis, the HPO commenced issuing compliance orders for a variety of non-compliance activities during 2007/08. A summary of these compliance orders is made available to the public on the HPO website. Non-compliance with a compliance order may result in a monetary penalty of up to $25,000 and may affect the future issuance of a licence or owner builder authorization.

Previously, if a person contravened the *Act* or Regulations, the primary tool available to the HPO was to request that Crown Counsel prosecute an offence. The use of administrative penalties in lieu of prosecutions provides a more efficient and fair balance of penalties. The ability to prosecute offences remains an important component of the HPO's compliance mechanism, to be reserved for more serious compliance situations.

HOME WARRANTY INSURANCE

Regulations under the *Act* set out minimum standards of coverage for home warranty insurance for new home construction and residential building envelope renovations. Unless exempted by the legislation, all new homes are required to be covered by the strongest construction defect warranty in Canada, comprising 2 years on labour and materials (some limits apply), 5 years on the building envelope including water penetration and 10 years on the structure (collectively known as 2-5-10 home warranty insurance).

Minimum standards of home warranty insurance for applicable residential building envelope renovations include 2 years on labour and materials and 5 years on the building envelope including water penetration.

Licensed Residential Builders often work in partnership with their home warranty insurance providers to give warranty service to owners of new homes. However, claims made under a policy of home warranty insurance is ultimately the responsibility of the warranty provider, ensuring a high level of protection for owners of new homes even in the event that the builder is no longer in business or does not respond to valid claims made by the consumer.

Home warranty insurance may only be provided by insurance companies approved and regulated by the Financial Institutions Commission. As of March 31, 2008 there were four companies offering home warranty insurance in British Columbia. The HPO maintains regular contact with these insurance companies and their agents/brokers, in order to communicate concerns, share information, work on streamlining and standardizing processes, and generally ensure that home warranty insurance is a viable and effective system for consumers, builders, and insurance companies alike.

Summary of New Homes Enrolled with Warranty Insurance and Warranty Exemptions

2007/08

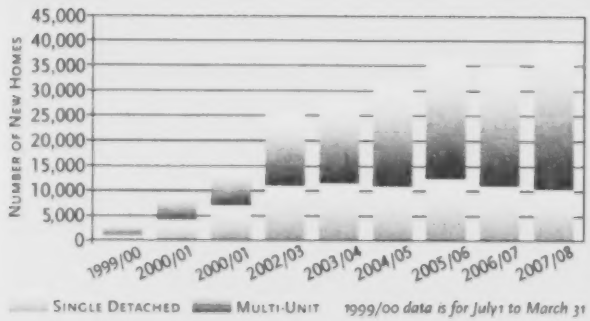
Category of New Home		Number of Homes
Homes with Warranty Insurance[1]	Single Detached Homes	10,264
	Homes in Multi-Unit Buildings (two or more units)	29,344
	Total	**39,598**
Homes with Warranty Exemptions[2]	Single Detached (owner-built homes)[3]	3,742
	Multi-unit Rentals	1,160
	Total	**4,902**

[1] New homes enrolled include homes for which the HPO has received verification from the home warranty insurance company that warranty insurance is in place. Note that minor adjustments may be made to these figures over time as the verification of new enrollments from home warranty insurance companies is received by the HPO on an ongoing basis.

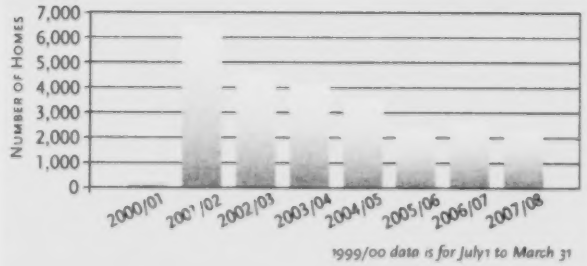
[2] Owner-built homes are not required to have home warranty insurance (although home warranty insurance may be purchased by the owner builder if desired), but are subject to the 10-year Statutory Protection provisions of the *Homeowner Protection Act*. Homes constructed under the multi-unit rental exemption must be constructed for rental purposes and register a restrictive covenant on title restricting the sale of any dwelling unit for a 10-year period.

[3] The number of owner builder exemptions issued. It is estimated that 10-15% of owner builder exemptions issued are not acted upon by the individual.

NEW HOMES ENROLLED WITH HOME WARRANTY INSURANCE



BUILDING ENVELOPE RENOVATIONS – UNITS ENROLLED WITH WARRANTY INSURANCE



BUSINESS AREAS AND OUTPUTS *cont'd*

RESEARCH AND EDUCATION

The HPO is mandated by the *Act* to provide a research and education function to benefit consumers and to help bring about improvements in the quality of residential construction in British Columbia.

The HPO partners with industry, consumer groups, educational institutions and other levels of government to leverage additional resources and expertise for these initiatives.

Initiatives are aimed at providing education and information for consumers, particularly for buyers of new homes and strata councils. The HPO also works in collaboration with industry and other partners to bring about efficient and cost-effective building science research and education that is relevant to the residential construction industry. These initiatives help to ensure that new technologies and best building practices are integrated into industry practice. They also reduce the likelihood of negative impacts on the building envelope or other components.

2007/08 Building Industry Research & Education Highlights

as at March 31, 2008

- Developed and delivered two Building Smart seminars including:
  - *Cladding and Moisture Protection* held at 23 locations across B.C. with 1,900 participants
  - *Heating Choices - A Survivor's Guide for Builders* held at 20 locations with more than 700 participants
- Published a *Builder Insight* technical bulletin on *Changes to BC's Provincial Energy Efficiency Regulations: Impact for Residential Builders*
- Continued work on the following research projects:
  - Effects of green building rating systems on the durability of buildings and the building envelope, in partnership with CMHC
  - Best Practice Guide on Windows, in partnership with CMHC and Natural Resources Canada
  - Investigation of Indoor Humidity Control via Mechanical Ventilation in Coastal/Maritime Climates in Multi-Unit Residential Buildings, in partnership with CMHC
  - Field Measurement of Wind-Driven Rain on Buildings in BC Coastal Climate, in partnership with BCIT, CMHC and BC Housing
  - Space Conditioning Energy Conservation in Multi-Unit Residential Buildings in partnership with Terasen Gas, BC Hydro, RDH Engineering, City of Vancouver and CMHC
- Completed the following research projects:
  - Publication of *HPO Building Envelope Guide for Houses Part 9 Residential Construction*
  - Development of a new, searchable, online Building Envelope Research Database, in partnership with BCIT
  - Study on Monitoring Performance of Rainscreen Wall Assemblies
  - Evaluation of a basic level course on wood-frame house construction
  - Development of the BC Building Course for CHBA-BC
- Hosted a one-day conference on Green Roofs and Homeowner Protection Office in British Columbia
- Partnered with BC Building Envelope Council, CMHC, BC Housing and BASF for the 2007 Building Research Conference
- Formative steps towards the introduction of a new Housing Futures Funding Program
- Conducted the third biennial province-wide Licensed Residential Builder Survey

Report on Performance

RESEARCH AND EDUCATION

BUILDING INDUSTRY RESEARCH AND EDUCATION

A major project completed in 2007/08 was the development of the *Building Envelope Guide for Houses: Part 9 Residential Construction*. This practical, step-by-step guide, fully-illustrated with 3-D graphics, was designed to help builders and others put into practice new requirements under the 2006 BC Building Code and 2007 Vancouver Building By-law. The guide was co-funded with the Provincial Government.

An updated and expanded Building Envelope Database was developed in partnership with the British Columbia Institute of Technology. This online database provides a comprehensive listing of books, reports and research articles with a focus on the design, construction, performance and maintenance of the building envelope. Users can search relevant research topics that reflect current trends in the industry such as green buildings, sustainability and durability.

In May 2007, the HPO hosted the *Green Roofs and Homeowner Protection in British Columbia Conference* as part of collaborative efforts with industry and consumer groups to further understanding of issues and solutions. The conference attracted more than 230 participants and provided a forum for constructive dialogue on the subject of green roofs. The Board took action on the recommendations of the HPO-appointed Green Roofs Task Group.

The HPO also helps industry associations and organizations to strengthen their professional programs in residential construction.

In support of the *Raising the Bar* initiative, the HPO provided funding towards the Canadian Home Builders' Association of B.C.'s project to update and enhance their builder courses, including one on the new BC Building Code. Funding was also provided to the Residential Construction Industry Training Organization towards the development of their Building Envelope Technician program.

The HPO presented its popular *Building Smart* education seminar series to more than 20 communities across the province in 2007/08. Introduced in 2004, these seminars are the prime vehicle for disseminating research results, good building practices and information on technological changes in construction to Licensed Residential Builders and others involved in new house construction.

More than 2,600 individuals participated in the spring and fall seminar series, which included 43 three-hour seminars on the topics of *Cladding and Moisture Protection* and *Heating Choices – A Survivor's Guide for Builders*. Seminar partners included the Thermal Environmental Comfort Association (TECA), the Building and Safety Policy Branch, Office of Housing and Construction Standards and the Building Officials' Association of B.C. Evaluation surveys completed by participants demonstrated a high level of satisfaction with the content, presenter and value for the nominal registration fee.

One new *Builder Insight* bulletin was published during the fiscal year. Aimed at Licensed Residential Builders and others in the residential construction industry, the Builder Insight bulletin provides relevant information in an easy-to-read format on new building technologies, research results, emerging technical issues and good building practices. The newest edition is titled *Changes to BC's Provincial Energy Efficiency Regulations: Impact for Residential Builders*.

During 2007/08 a new Housing Futures Funding Program was approved in principle by the HPO Board. This new program, to be introduced in 2008, will enable researchers, industry, consumer organizations and other parties to identify and carry out research and education projects. An annual funding allocation will be designated for externally generated research and education projects that support the mandate and goals of the HPO and reflect the strategic directions of the Board.

Report on Performance

RESEARCH AND EDUCATION

CONSUMER INFORMATION

The HPO provides a range of consumer information to help bring about a better-informed and protected consumer. This information helps homebuyers to make more informed purchasing decisions, ensure proper maintenance of new homes and strata-titled common property, understand home warranty insurance, and be informed of HPO financial assistance programs for owners of water-damaged homes.

As part of its ongoing consumer education and research program, the HPO and its partners developed two new *Maintenance Matters* bulletins. The *Maintenance Matters* series provides strata owners, property/maintenance managers and strata councils with easy-to-understand information on maintaining multi-unit housing with a focus on building envelope maintenance. There are now six publications available in this series on topics ranging from *Residential Windows and Exterior Doors* to *Sealants* and *Deck and Balconies*. Work also commenced on additional *Maintenance Matters* bulletins.

At the request of strata councils considering their options with respect to building envelope rehabilitation, the HPO continued to attend strata council meetings to provide information on financial assistance programs for the repair of water-damaged homes and to meet with building envelope consultants to help interpret requirements for licensing and warranty insurance.

Work continued on the development of two new consumer guides: a *Consumer Protection Guide for Homebuyers*, and a *Guide on Home Warranty Insurance in British Columbia* to be published in 2008.

consumer protection

2007/08 Consumer Information Highlights

as at March 31, 2008

- Produced two *Maintenance Matters* bulletins on *Sealants* and *Decks and Balconies*.
- Delivered six presentations on *Maintenance Matters* bulletins at Condominium Home Owners' Association strata education seminars.
- Participated in *First-Time Home Buyer Seminars* conducted by the Greater Vancouver Home Builders' Association and the Kamloops Canadian Home Builders' Association.
- Conducted 45 on-site strata meetings to provide owners with information on financial assistance programs for the repair of water-damaged homes.
- Participated in 11 trade and consumer shows throughout the province.
- Assisted 44,596 callers through the HPO's 1-800 toll-free information line.
- The HPO's new and expanded website attracted 361,056 visitors seeking information about programs and initiatives.

BUSINESS AREAS AND OUTPUTS *cont'd*

FINANCIAL ASSISTANCE

The Homeowner Protection Office (HPO) offers two financial assistance programs for owners of water-damaged homes – the Reconstruction Program and the (Provincial Sales Tax) PST Relief Grant.

RECONSTRUCTION PROGRAM

The Reconstruction Program was established to ensure that owners do not have to lose their homes to foreclosure due to inability to pay for the cost of building envelope repairs in buildings constructed in the coastal climatic zone.

The HPO has a responsibility under the *Homeowner Protection Act* to provide financial assistance for all eligible owners of water-damaged homes.

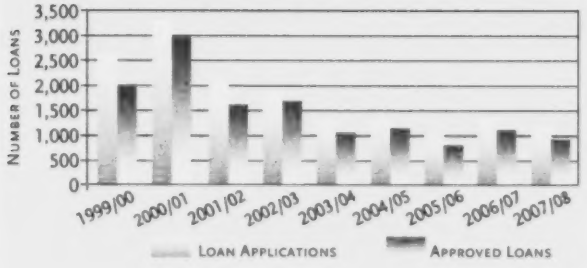
During 2007/08 the HPO commissioned new research on forecast demand for the Reconstruction Program. The analysis in the report titled *Assessment of Future Demand for the HPO Reconstruction Program*, indicates that demand for financial assistance under the Program will remain high for the next five to ten years.

The Reconstruction Program provides eligible owners with no-interest loans for the repair of water-damaged buildings including multi-unit as well as single detached homes. An owner could be eligible if:

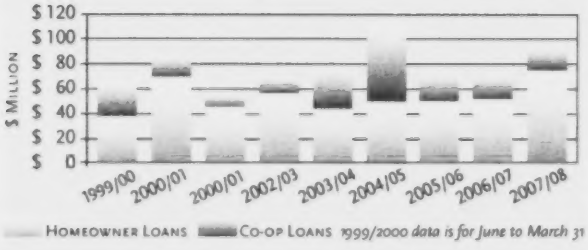
- the owner does not have adequate savings or equity, or cannot qualify for a conventional loan to pay for building envelope repairs, and
- the building is no more than 25 years old and is confirmed to have experienced building envelope failure by an architect or engineer.

In most cases, loans are arranged through the owner's mortgage lender and the owner makes monthly principal-only payments to their lender which are set at affordable rates by the HPO through one-on-one consultations with the applicants. The HPO pays the interest on the loan directly to the owner's financial institution on behalf of the owner.

HOMEOWNER RECONSTRUCTION LOANS



VALUE OF APPROVED RECONSTRUCTION LOANS



2007/08 Reconstruction Program Highlights

as at March 31, 2008

- During the 2007/08 fiscal year 915 homeowner loans were approved with a total value of $77.8 million.
- The average annual homeowner loan amount approved in 2007/08 was $84,989.
- Deferred payment loans represented 23% of the number of issued homeowner loans, totaling more than $17.3 million in financial assistance.
- The HPO approved three new housing co-operative loans totaling $16.9 million. The total value of housing co-operative loans approved, including adjustments to loan amounts for 22 housing co-operatives approved from past years, was $53.7 million.
- The average per unit value of the approved housing co-operative repair loans since the Program's inception was $79,099 as of March 31, 2008.
- Since the HPO's inception in 1998, 13,567 homeowner loans and 65 co-op loans (representing 3,593 units) have been approved totaling more than $779.2 million in financial assistance.
- New research conducted in 2007/08 indicates that demand for the Reconstruction Program will remain high for the next five to ten years.

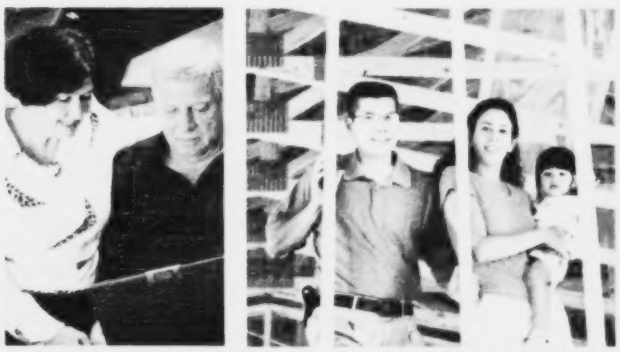
Report on Performance

FINANCIAL ASSISTANCE

In some cases, often for seniors with no existing mortgage, but on a fixed income, the HPO provides direct financing of a deferred payment loan which allows these homeowners to receive the full amount required for the repair and not have to make any payments for as long as they live in the home.

The Reconstruction Program is also available to eligible housing co-operatives. Since the individual members of a housing co-operative do not hold title to their homes, no-interest repair loans are made to the entire housing co-operative rather than to individual residents. In these cases, Canada Mortgage and Housing Corporation (CMHC) advances the funds on the housing co-operative repair loans and the HPO pays interest on the loans directly to CMHC for a period of 10 years.

At the request of a strata council, HPO loan officers participate in on-site strata meetings to offer information about the financial assistance programs of the HPO. Our toll-free information line (1-800-407-7757) is also available to answer general enquiries about HPO programs including financial assistance.



PROVINCIAL SALES TAX (PST) RELIEF GRANT

The PST Relief Grant was established to provide tax relief to owners of homes with completed building envelope repairs. The HPO delivers this program on behalf of the Province.

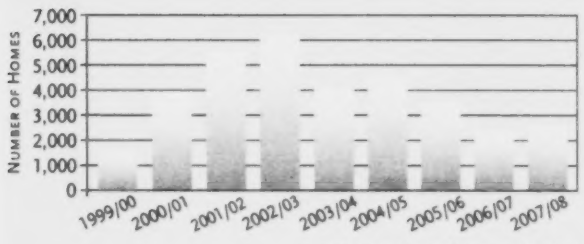
This Program provides a rebate on the approximate cost of the Provincial Sales Tax on the repair. About 40% of the repair cost is usually subject to Provincial Sales Tax. Multi-unit buildings as well as single detached homes are eligible under the program. Strata councils apply for the grant on behalf of all owners in the case of multi-unit, strata-titled homes.

2007/08 PST Relief Grant Highlights

as at March 31, 2008

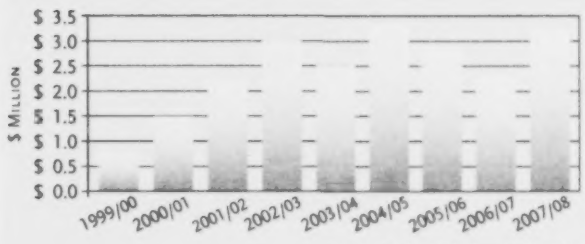
- 46 applications representing 2,607 homes were approved for PST Relief Grants totaling $3.2 million.
- Since the PST Relief Grant was introduced in 1999, $21.7 million in grants to owners in 34,604 homes have been approved with an average grant per home of $628.

PST RELIEF GRANT – NUMBER OF UNITS APPROVED



1999/2000 data is for June to March 31

PST RELIEF GRANT – TOTAL AMOUNT OF APPROVED GRANTS



1999/2000 data is for June to March 31

Performance Measures, Targets and Results

This section reports on the performance of the Homeowner Protection Office relative to the performance measures and targets identified for the 2007/08 fiscal year contained in the 2007-2010 Service Plan. Measures include satisfaction and awareness levels as well as indicators of effectiveness and responsiveness in various program areas. Past performance results are also presented.

The focus of this report is on performance for 2007/08. Future targets for the three-year period of 2008/09 to 2010/11 are also shown for convenience to provide information on performance expectations.

These future targets are drawn from the most recent 2008-2011 Service Plan as several targets have been changed from the previous 2007-2010 Service Plan and the 2006/07 Annual Report. These changes are noted and described under Performance Measurement Systems on page 31.

A summary of the HPO's strategic mission, goals, objectives and strategies is shown on page 18. The following strategic thrusts were identified in 2004 by the Board of Directors to ensure that the HPO is delivering on its responsibilities under the *Homeowner Protection Act*:

1) Further professionalization of the residential construction sector,
2) Informed and protected consumers,
3) Continued viability of the home warranty insurance system,
4) Become a strategic centre for building industry research, and
5) An aligned, focused and capable organization.

SUMMARY OF RESULTS

The 2007-2010 Service Plan sets out 15 performance targets for 2007/08. A summary of the results is presented below.

Performance target met or exceeded:

- Builder satisfaction with the licensing system
- Recovery of home values following building envelope renovations
- Reconstruction Loan default rate
- Research results and best practices disseminated through symposiums, seminars or workshops
- Research results incorporated into building standards and best practices
- Timeliness of licensing decisions on completed licence applications
- Timeliness of decisions on completed homeowner applications for the Reconstruction Program

Progress made towards meeting targets:

- Builder rating of the effectiveness of HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner-builder exemption
- Builders' ratings of their overall relationship with their warranty provider
- Resources leveraged by the HPO through other funding partners

Performance not measured in 2007/08:

- Homebuyer awareness of consumer protections under the *Homeowner Protection Act*
- Homeowner satisfaction with home warranty insurance
- Homeowner satisfaction with the quality of home construction
- Homeowner satisfaction with the building process
- Percentage of homes built under the *Homeowner Protection Act* with warranty insurance claims is within industry norms

Data for the five performance measures not measured in 2007/08 is gathered through the biennial consumer survey that was last carried out in 2006/07. These measures will be reported in next year's annual report.

Summary of HPO Mission, Goals, Objectives and Performance Measures

Mission Statement

Protect buyers of new homes from undue risk and assist the residential construction industry to mitigate that risk.

	1	2	3	4	5
Goals	Professionalization of the residential construction sector	Informed and protected consumers	Continued viability of the home warranty insurance system	Become a strategic centre for building industry research	An aligned, focused and capable organization
Objectives	"Raise the bar" for Licensed Residential Builders Address black-market building Implement administrative penalties and compliance orders Better perform gate-keeping duties Enhance public registry	Increase communications and education initiatives Established standard of information for consumers Owners of leaky homes do not have to lose their homes	Ensure the availability, affordability and effectiveness of home warranty insurance Ensure home warranty is in place where coverage is required	Conduct and disseminate results on research related to continuous improvement in the quality of residential construction Facilitate the use of research in the development and applications of best practices	Ensure HPO remains lean, agile, rigorous and resourced
Performance Measures	Builder satisfaction with the licensing system Builders' rating of the effectiveness of the HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner builder exemption	Homebuyer awareness of consumer protections under the *Homeowner Protection Act* Homeowner satisfaction with home warranty insurance on their home Homeowner satisfaction with the quality of home construction Homeowner satisfaction with the building process Reconstruction loan default rate	Percentage of home warranty insurance claims that have been resolved by builder or warranty provider Builder rating of their overall relationship with their warranty provider Homeowner satisfaction with the home warranty insurance on their home	Research results and best practices disseminated through symposiums, seminars or workshops Research results incorporated into building standards and best practices Resources leveraged by the HPO through other funding partners	Timeliness of licensing decisions on completed licence applications Timeliness of decisions on completed homeowner applications for the Reconstruction Program Timeliness of license renewal decisions Timeliness of Owner Builder Authorizations

Performance, Measures, Targets and Results

GOAL ONE ~ **PROFESSIONALIZATION OF THE RESIDENTIAL CONSTRUCTION SECTOR**

BUILDER SATISFACTION WITH THE LICENSING SYSTEM

Year	Target	Actual
2003/04	Collect baseline data	83%
2004/05	Not surveyed	–
2005/06	88% or higher builder satisfaction	87%
2006/07	Not surveyed	–
2007/08	**90% or higher builder satisfaction**	**92%**
2008/09	Not surveyed	
2009/10	92% or higher builder satisfaction	
2010/11	Not surveyed	

This measure tracks Licensed Residential Builder satisfaction with the HPO licensing system. Baseline data was obtained through a 2003/04 survey of Licensed Residential Builders in the province (see note on page 30 for a further description of this survey). The third biennial builder survey was carried out in 2007/08.

The 2007/08 survey found that 92% of Licensed Residential Builders were very or somewhat satisfied with the HPO licensing system. Sub-components of satisfaction tracked include:

- 86% satisfaction with the rules/requirements
- 90% satisfaction with the application process
- 86% satisfaction with the renewals process, and
- 90% satisfaction with timeliness of licensing decisions.

Result: Target met.

BUILDERS' RATING OF THE EFFECTIVENESS OF HPO'S COMPLIANCE EFFORTS TO MONITOR AND ENFORCE HOME WARRANTY INSURANCE REQUIREMENTS AND THE OWNER-BUILDER EXEMPTION

Year	Target	Actual
2003/04	Collect baseline data	72%
2004/05	Not surveyed	–
2005/06	75%	70%
2006/07	Not surveyed	–
2007/08	**75%**	**71%**
2008/09	Not surveyed	
2009/10	77%	
2010/11	Not surveyed	

Data for this measure is obtained through the biennial licensed builder survey which tracks builders' rating of the effectiveness of the HPO's efforts to monitor and enforce compliance with the mandatory builder licensing and home warranty insurance requirements, and the owner builder exemption provisions of the *Act*.

The 2007/08 survey of Licensed Residential Builders found that 71% of builders felt that the HPO's compliance efforts were very or somewhat effective, and 29% felt that they were ineffective. While this result falls below the target of 75%, it represents a slight improvement over the 2005/06 Licensed Residential Builder Survey result.

The *Homeowner Protection Amendment Act* came into force on November 19, 2007. It provides the HPO with greatly enhanced compliance tools which should improve progress toward the target.

Result: Progress made towards meeting the target.

builder surveys

Performance, Measures, Targets and Results

GOAL TWO - **INFORMED AND PROTECTED CONSUMERS**

HOMEBUYER AWARENESS OF CONSUMER PROTECTION UNDER THE *HOMEOWNER PROTECTION ACT*

Year	Target	Actual
2002/03	Collect baseline data	73% awareness of builder licensing 45% awareness of home warranty insurance
2003/04	Not surveyed	–
2004/05	80% for licensing 55% for home warranty insurance	69% awareness of builder licensing 52% awareness of home warranty insurance
2005/06	Not surveyed	–
2006/07	80% awareness of builder licensing 60% awareness of home warranty insurance	74% awareness of builder licensing 55% awareness of home warranty insurance
2007/08	**Not surveyed**	–
2008/09	90% awareness of builder licensing 70% awareness of home warranty insurance	
2009/10	Not surveyed	
2010/11	90% awareness of builder licensing 70% awareness of home warranty insurance	

This measure tracks prospective homebuyer awareness of the consumer protection measures in place in British Columbia, specifically licensing of residential builders and warranty insurance requirements. Data is obtained through a biennial consumer survey. (See note on page 30 for further description of the consumer survey).

In 2006/07 the level of awareness of builder licensing among homebuyers increased to 74% from 69% two years earlier. Similarly, the level of awareness of home warranty insurance increased to 55% from 52% in 2004/05. The level of awareness was found to be higher in the Greater Vancouver area compared to other regions of the province.

The 2006/07 result indicates the need to communicate information effectively to consumers about the licensing and home warranty insurance systems. The planned release of two consumer information guides is expected to have a positive impact on consumer awareness levels.

Result: Performance not measured in 2007/08; will be reported in 2008/09.

consumer protection

HOMEOWNER SATISFACTION WITH HOME WARRANTY INSURANCE

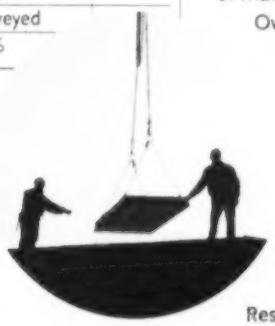
Year	Target	Actual
2002/03	Collect baseline data	83%
2003/04	Not surveyed	–
2004/05	85%	80%
2005/06	Not surveyed	–
2006/07	85%	77%
2007/08	**Not surveyed**	–
2008/09	90%	
2009/10	Not surveyed	
2010/11	90%	

This measure tracks homeowner satisfaction with the protection provided by warranty insurance on their new homes. Data for this measure is obtained through a biennial consumer survey.

In 2006/07 the majority of new homeowners (77%) continued to be very to somewhat satisfied with the protection provided by their warranty insurance. The proportion is similar to the 80% reported in 2004/05. Satisfaction levels were higher among owners of multi-unit homes at 80% compared to 71% for owners of single detached homes.

Owners who have encountered a problem with their home are not as satisfied with their warranty insurance (69% satisfied) compared to those who have not had a problem (85% satisfied). Interestingly, there was no difference in the level of satisfaction among owners who have lived in their home for two or more years compared to those who have lived in their home for less than two years.

The variation between the 2006/07 result and the target may be partially explained by the larger portion of homeowners in the survey sample with policies at all years of coverage which includes, at a minimum, 2 years on material and labour, 5 years on building envelope and 10 years on structure.



Result: Performance not measured in 2007/08; will be reported in 2008/09.

Performance, Measures, Targets and Results

GOAL TWO - **INFORMED AND PROTECTED CONSUMERS**

HOMEOWNER SATISFACTION WITH THE QUALITY OF HOME CONSTRUCTION

Year	Target	Actual
2002/03	Collect baseline data	93%
2003/04	Not surveyed	–
2004/05	Target not established (new measure)	91%
2005/06	Not surveyed	–
2006/07	95%	90%
2007/08	**Not surveyed**	**–**
2008/09	95%	
2009/10	Not surveyed	
2010/11	95%	

This measure tracks the satisfaction with the quality of home construction among owners with warranty insurance on their home. Data is obtained through a biennial consumer survey. As a new measure introduced in 2004/05, targets have been established commencing in 2006/07.

Consistent with 2004/05 results, the vast majority of homeowners in 2006/07 reported being satisfied with the quality of construction of their homes. Specifically, 54% were very satisfied and 36% somewhat satisfied in 2006/07 for a satisfaction rate of 90%. These positive results have remained relatively unchanged since 2002. There was a fair degree of consistency in the level of satisfaction among owners of single detached versus multi-unit homes, while first-time buyers tend to show a lower level of satisfaction.

Result: Performance not measured in 2007/08; will be reported in 2008/09.

HOMEOWNER SATISFACTION WITH THE BUILDING PROCESS

Year	Target	Actual
2004/05	Collect baseline data	83%
2005/06	Not surveyed; establish target	–
2006/07	88%	81%
2007/08	**Not surveyed**	**–**
2008/09	90%	
2009/10	Not surveyed	
2010/11	90%	

This measure tracks the satisfaction levels with the building process among homeowners with warranty insurance, specifically owners of custom-built homes or homes purchased on a pre-sale basis. Data for this measure is obtained through a biennial consumer survey. Baseline data was collected in the 2004/05 consumer survey.

Overall, 81% of homeowners were very or somewhat satisfied with the building process in 2006/07. This ranges from 74% satisfaction among homeowners who purchased a spec. home on a pre-sale basis, to 97% satisfaction among homeowners who had their home custom built by a licensed builder. Further breakdown of the results include:

- 82% satisfaction overall with cost and budgeting
- 72% satisfaction with contractor/builder/developer, and
- 67% satisfaction with time it took to build the home.

Result: Performance not measured in 2007/08; will be reported in 2008/09.

Performance, Measures, Targets and Results

GOAL TWO - **INFORMED AND PROTECTED CONSUMERS**

RECOVERY OF HOME VALUES FOLLOWING BUILDING ENVELOPE RENOVATIONS

Year	Target	Actual
2002/03	Collect baseline data	51%
2003/04	50% or more	74%
2004/05	60% or more	91%
2005/06	80% or more	97%
2006/07	95% or more	99%
2007/08	**95% or more**	**97%**

This measure tracks the improvement in assessed values of homes following the completion of building envelope repairs. It is calculated as the percentage of homes that have recovered values equal or greater than the cost of repairs in the assessed values of their homes.

In 2007/08, 97% of homes recovered assessed values equal to or more than the cost of building envelope repairs. This exceeds the target of 95% or more.

Among the home values analyzed for this measure, the average pre-repair price had risen from $118,805 to $278,586 post repair. The analysis is based on 2007 assessed values and includes nearly 11,000 homes in 599 buildings with completed building envelope renovations under the Reconstruction Program since 1998.

Result: Target met.

This performance measure is being discontinued and will not be reported after 2007/08. The rationale for this is that the measured results are not directly attributable to the activities of the HPO. In addition, increases in the real estate values have been such that the recovery of home values has reached nearly one hundred percent for the past several years.

RECONSTRUCTION LOAN DEFAULT RATE

Year	Target	Actual
2002/03	4% or less	1.8%
2003/04	4% or less	1.8%
2004/05	1% or less	1.8%
2005/06	1% or less	1.7%
2006/07	1.5% or less	1.6%
2007/08	**1.5% or less**	**1.4%**
2008/09	1.5% or less	
2009/10	1.5% or less	
2010/11	1.5%	

This measure tracks the effectiveness of the Reconstruction Program in helping to ensure that homeowners do not have to lose their homes as a result of building envelope repair costs. It compares the number of Reconstruction Loans in default to the total number of loans issued in the program. Data is obtained through the HPO loans database.

The Reconstruction Program provides no-interest loans to owners of water-damaged homes who would not otherwise be able to obtain financing or pay for repair costs related to building envelope failure, e.g., may be experiencing an overall high debt to equity ratio.

The actual default rate of 1.4% in 2007/08 is slightly lower than the target rate of 1.5%, and represents an improvement over last year's rate of 1.6%.

The Reconstruction Program default rate was higher than the default rate of all residential loans or mortgages for British Columbia and Canada at 0.14% and 0.26% respectively as of December 2007 (Source: Canadian Bankers Association). This reflects the more difficult financial situation associated with recipients of the HPO's Reconstruction Loans as compared to housing loans in general.

Result: Target met.

Performance, Measures, Targets and Results

GOAL THREE - **CONTINUED VIABILITY OF THE HOME WARRANTY INSURANCE SYSTEM**

PERCENTAGE OF HOMES BUILT UNDER THE *HOMEOWNER PROTECTION ACT* WITH WARRANTY INSURANCE CLAIMS IS WITHIN INDUSTRY NORMS

Year	Target	Actual
2002/03	Collect baseline data	5%
2003/04	Not surveyed	–
2004/05	5% or less	4%
2005/06	4% or less	–
2006/07	3% or less	6%
2007/08	**3% or less**	–

This measure is intended to compare the number of claims made by homeowners under their home warranty insurance policies to the number of homes enrolled during the specified period. (See note on page 32 for a description of warranty insurance claims).

Results from the biennial consumer survey have been used as proxy data for this measure, specifically the percentage of homeowners who indicated that they have experienced a problem with their home's workmanship, materials or structure, and who involved their warranty insurance company in resolving the problem.

The 2006/07 consumer survey found that 6% of homeowners involved their warranty provider in resolving a problem with their home. This rate is higher than the target of 3% or less.

Result: Performance not measured in 2007/08.

This performance measure is being discontinued and will be replaced with a new measure "Percentage of home warranty insurance claims that have been resolved by builder or warranty provider."

PERCENTAGE OF HOME WARRANTY INSURANCE CLAIMS THAT HAVE BEEN RESOLVED BY BUILDER OR WARRANTY PROVIDER

Year	Target	Actual
2007/08	**Not forecasted**	–
2008/09	Establish baseline; set target	
2009/10	Target met	
2010/11	Target met	

This is a new measure introduced in the 2008-2011 Service Plan. Targets and results will be reported in the 2008/09 Annual Report. The new measure is an improved indicator of how well the warranty insurance system is working for consumers and addresses data limitations associated with the former measure. A baseline will be set and targets established for this new measure in 2008/09.

Result: Performance not measured in 2007/08; will be reported in 2008/09.

quality improvement

Performance, Measures, Targets and Results

GOAL THREE - **CONTINUED VIABILITY OF THE HOME WARRANTY INSURANCE SYSTEM**

BUILDER RATING OF THEIR OVERALL RELATIONSHIP WITH THEIR WARRANTY PROVIDER

Year	Target	Actual
2003/04	Collect baseline data	87%
2004/05	Not surveyed	–
2005/06	90%	84%
2006/07	Not surveyed	–
2007/08	**92%**	**86%**
2008/09	Not surveyed	
2009/10	92%	
2010/11	Not surveyed	

This measure tracks Licensed Residential Builders' ratings of their overall relationship with their warranty providers. Data for this measure is obtained through a biennial builder survey.

In 2007/08, 86% of builders felt they had a good or excellent relationship with their warranty provider. Specifically, 36% of builders rate the relationship as excellent and 50% rate it as good.

These results represent a slight increase over the result of 84% two years earlier, and fall below the target of 92%.

Subcomponents of this measure include:

- 70% rate handling of complaints or claims from consumers as excellent or good,
- 45% rate cost of warranty insurance as excellent or good, and
- 79% rate ease of application process for coverage as excellent or good.

The HPO Board/Warranty Liaison Committee discusses concerns and facilitates the functioning of the warranty system.

Result: Progress made towards meeting the target.

HOMEOWNER SATISFACTION WITH HOME WARRANTY INSURANCE

Year	Target	Actual
2002/03	Collect baseline data	83%
2003/04	Not surveyed	–
2004/05	85%	80%
2005/06	Not surveyed	–
2006/07	85%	77%
2007/08	**Not surveyed**	**–**
2008/09	90%	
2009/10	Not surveyed	
2010/11	90%	

This measure tracks homeowner satisfaction with the protection provided by warranty insurance on their new homes. Data is obtained through a biennial consumer survey.

In 2006/07 the majority of new homeowners, 77% continued to be very to somewhat satisfied with the protection provided by their warranty insurance. The proportion was similar to the 80% reported in 2004/05. Satisfaction levels were higher among owners of multi-unit homes at 80% compared to 71% for owners of single detached homes. Owners who have encountered a problem with their home are not as satisfied with their warranty insurance (69% satisfied) compared to those who have not had a problem (85% satisfied). Interestingly, there was no difference in the level of satisfaction among owners who have lived in their home for two or more years compared to those who have lived in their home for less than two years.

Result: Performance not measured in 2007/08; will be reported in 2008/09.

Performance, Measures, Targets and Results

GOAL FOUR - **BECOME A STRATEGIC CENTRE FOR BUILDING INDUSTRY RESEARCH**

RESEARCH RESULTS AND BEST PRACTICES DISSEMINATED THROUGH SYMPOSIUMS, SEMINARS OR WORKSHOPS

Year	Target	Actual
2004/05-2005/06	During this 2-year cycle, 1 major symposium or publication and 20 educational sessions.	The HPO held 52 Building Smart education seminars during this 2-year period. Major partner for the *Innovations in Building Science Symposium* in May/04. Release of the *Research Report on Poured-in-place Concrete Wall Performance in Coastal B.C.* in partnership with CMHC in 2005.
2006/07	One major symposium or publication and more than 20 educational sessions delivered.	HPO delivered more than 40 *Building Smart* education seminars during the period. HPO was a major partner for the *From Research to Reality Building Science Symposium* in May/06. Findings from 5 HPO-funded research projects were presented at the 11th National Conference on Building Science in Banff. Two research reports were published.
2007/08	**One major symposium or publication and over 20 educational sessions delivered.**	**Delivered more than 40 *Building Smart* education seminars.** **Organized *Green Roofs and Homeowner Protection in British Columbia* Conference.** **Developed Online Building Envelope Research Database in partnership with BCIT.**
2008/09	As above	
2009/10	As above	
2010/11	As above	

This measure focuses on the HPO's role in disseminating research results and helping to support the integration of new technologies and best practices in the industry through participation in major research publications, symposia, and the delivery of educational sessions or workshops.

Participant evaluation of the *Building Smart* education seminars is consistently high. For *Building Smart #7 – Cladding and Moisture Protection*, participant ratings are as follows:

- Usefulness of information presented: 4 out of 4
- Scope and relevance of materials appropriate: 4.9 out of 5, and
- Knowledge and effectiveness of presenter: 4.5 out of 5.

The HPO is the secretariat and participant of the Building Research Committee of the B.C. Building Envelope Council, and is represented on national, provincial and local Canadian Homebuilder technical and education and training committees.

Result: Target met.

Performance, Measures, Targets and Results

GOAL FOUR - **BECOME A STRATEGIC CENTRE FOR BUILDING INDUSTRY RESEARCH**

RESEARCH RESULTS INCORPORATED INTO BUILDING STANDARDS AND BEST PRACTICES

Year	Target	Actual
2003/04	Participation in federal and provincial processes to update the current building code, and to develop best practices and training courses.	The HPO continued involvement on National Building Code and CSA committees. In addition, as a follow-up to the research on water penetration resistance of windows, the HPO entered into a partnership to co-fund the development of a best practice guide on windows.
2004/05	Participation in federal and provincial processes to update the current building code, and to develop best practices and training courses.	Continued partnership with CMHC and Natural Resources Canada on the development of the Windows Best Practice Guide. Collaboration with provincial Building Policy Branch regarding release of the 2006 building code. Building Smart educational sessions presented at building officials educational conferences.
2005/06	Participation in federal and provincial processes to update the current building code, and to develop best practices and training courses.	As above.
2006/07	Participation in federal and provincial processes to update the current building code, and to develop best practices and training courses.	As above. In addition: • Participation on national Task Group on Proposed Harmonization of Window Standards for the 2010 national building code. • Collaboration with provincial Building Policy Branch in development of *Building Envelope Guide for Houses* publication. • Partnership with Building Policy Branch and Building Officials' Association of BC on delivery of *Building Smart* educational sessions. • Release of *Builder Insight* bulletin on poured-in-place concrete high-rise construction.
2007/08	**Participation in federal and provincial processes to update the current building code, and to develop best practices and training courses.**	**Continued involvement on Building Code and CSA committees. In addition:** • **Participation on national Task Group on Proposed Harmonization of Window Standards for the 2010 national building code.** • **Publication of *Building Envelope Guide for Houses* in collaboration with Building and Safety Policy Branch.** • **Developed BC Building Code - Single Family Dwellings course for CHBA-BC.** • **Produced *Builder Insight* bulletin on Changes to BC's Provincial Energy Efficiency Regulations in collaboration with Ministry of Energy, Mines and Petroleum Resources.**
2008/09	As above	
2009/10	As above	
2010/11	As above	

This measure looks at the effectiveness of the HPO in helping to ensure that the results of research projects are incorporated into standards, codes and best practices.

The performance measure tracks the HPO's participation on national and provincial code committees, and involvement in the development and promotion of best practices and training courses.

Major initiatives in 2006/07 pertained to work carried out towards the development of the *Building Envelope Guide for Houses* publication, prompted by new provisions contained in the 2006 BC Building Code and 2007 Vancouver Building By-law, as well as the publication of a Builder Insight bulletin on moisture management strategies on poured-in-place, high-rise residential construction, as a follow-up to an HPO research project on this subject.

Result: Target met.

Performance, Measures, Targets and Results

GOAL FOUR - **BECOME A STRATEGIC CENTRE FOR BUILDING INDUSTRY RESEARCH**

RESOURCES LEVERAGED BY THE HPO THROUGH OTHER FUNDING PARTNERS

Year	Target	Actual
2002/03	At least twice the amount invested by HPO leveraged through partnerships.	Contributions by partners represented 79% of total project funding.
2003/04	At least twice the amount invested by HPO leveraged through partnerships.	Contributions by partners represented 42% of total project funding.
2004/05	At least twice the amount invested by HPO leveraged through partnerships.	Contributions by partners represented 54% of total project funding.
2005/06	At least twice the amount invested by HPO leveraged through partnerships.	Contributions by partners represented 49% of total project funding.
2006/07	At least twice the amount invested by HPO leveraged through partnerships.	Contributions by partners represented 64% of total project funding.
2007/08	**At least twice the amount invested by HPO leveraged through partnerships.**	**Contributions by partners represented 69% of total project funding.**
2008/09	At least twice the amount invested by HPO leveraged through partnerships.	
2009/10	At least twice the amount invested by HPO leveraged through partnerships.	
2010/11	At least twice the amount invested by HPO leveraged through partnerships.	

This measure monitors the effectiveness of the HPO in leveraging additional resources for research and education initiatives with industry partners. The target is to leverage at least twice the amount invested by the HPO by the other partners for projects that were completed or underway during the fiscal year.

Contributions by partners represented 69% of total project funding. This percentage for 2007/08 represents an increase over the previous year.

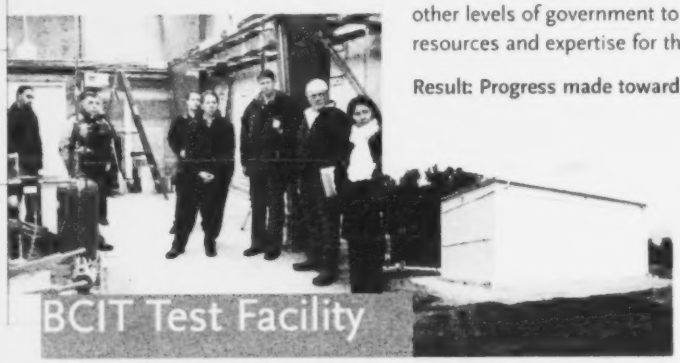
Fourteen projects were completed or underway during the fiscal year representing an HPO funding commitment of approximately $208,000. Our partners committed an additional $460,000 to these projects for a total financial commitment of approximately $668,000.

Major funding partners in 2007/08 include:

- BC Hydro
- British Columbia Institute of Technology
- Building and Safety Policy Branch
- Canadian Home Builders' Association of BC
- Canada Mortgage and Housing Corporation
- City of Vancouver
- Ministry of Energy, Mines and Petroleum Resources
- Residential Construction Industry Training Organization
- RDH Engineering
- Terasen Gas

The HPO will continue to partner with industry, consumer groups, educational institutions and other levels of government to leverage additional resources and expertise for these initiatives.

Result: Progress made towards meeting the target.



BCIT Test Facility

Performance, Measures, Targets and Results

GOAL FIVE - **AN ALIGNED, FOCUSED AN CAPABLE ORGANIZATION**

TIMELINESS OF DECISIONS ON COMPLETED LICENCE APPLICATIONS

Year	Target	Actual
2002/03	5 business days or less	3.1 business days
2003/04	5 business days or less	3.6 business days
2004/05	3 business days or less	3.1 business days
2005/06	3 business days or less	2.7 business days
2006/07	3 business days or less	2.9 business days
2007/08	**3 business days or less**	**2.8 business days**
2008/09	3 business days or less	
2009/10	3 business days or less	
20010/11	3 business days or less	

This is a measure of the HPO's responsiveness in making residential builder and building envelope renovator licensing decisions for new, completed applications. Specific targets are set to ensure that HPO licensing decisions are made quickly, thus avoiding unnecessary and potentially costly delays for residential builders. Data is obtained through the Licence Information Management System database.

An average of 2.8 business days in 2007/08 represents a slight decrease compared to an average of 2.9 business days in the previous year. Overall, the number of residential builders licensed or renewed in 2007/08 rose 22.3% over the previous year.

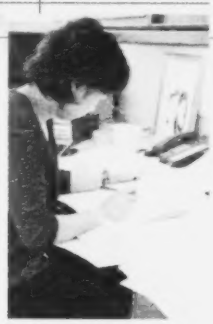
The licensing approval process typically involves verification of company information, acceptance with a home warranty insurance provider, and review of past residential construction activity.

The 2007/08 Licensed Residential Builder Survey found that 90% of builders were very or somewhat satisfied with the timeliness of licensing decisions.

Result: Target met.

TIMELINESS OF DECISIONS ON COMPLETED HOMEOWNER APPLICATIONS FOR THE RECONSTRUCTION PROGRAM

Year	Target	Actual
2005/06	Establish baseline, set targets	8.2 business days
2006/07	10 business days or less	7.1 business days
2007/08	**10 business days or less**	**8.5 business days**
2008/09	9 business days or less	
2009/10	8 business days or less	
2010/11	8 business days or less	



This is a measure of the average number of business days required to make a decision on completed applications by homeowners for the Reconstruction Program. Data is obtained from the HPO's loans database.

The baseline average was calculated at 8.2 business days in 2005/06 representing a total of 907 loan applications reviewed. In 2007/08, an average of 8.5 business days represents a slight increase compared to the baseline of 8.2 business days. The application process involves verification that the proposed building envelope repairs fall under the guidelines of the program, review of individual applications to determine eligibility for financial assistance, and establishment of a mutually agreeable repayment schedule for the loan. There was a significant increase in the volume of loan applications in 2007/08 and staffing declined by one full-time equivalent (FTE).

Result: Target met.

focused & capable organization

Performance, Measures, Targets and Results

GOAL FIVE - **AN ALIGNED, FOCUSED AN CAPABLE ORGANIZATION**

TIMELINESS OF LICENSE RENEWAL DECISIONS

Year	Target	Actual
2007/08	**Establish baseline**	**3.5 business days**
2008/09	Set target	
2010/11	Target met	

This new measure, introduced in the 2008-2011 Service Plan, along with the existing measure on the timeliness of decisions on completed licence applications, will more fully gauge the HPO's effectiveness in making residential builder licensing decisions for both new applications and renewals.

The baseline established in 2007/08 is 3.5 business days.

Result: Performance not measured in 2007/08; will be reported in 2008/09.

TIMELINESS OF OWNER BUILDER AUTHORIZATIONS

Year	Target	Actual
2007/08	**Not forecasted**	-
2008/09	Establish baseline	
2010/11	Set target	

This new measure, introduced in the 2008-2011 Service Plan, has been added as a result of the introduction of an owner builder authorization requirement and fee in 2007, and will measure the HPO's responsiveness in providing authorizations to eligible owner builders.

The baseline will be established in 2008/09.

Result: Performance not measured in 2007/08; baseline will be established in 2008/09.

owner builder authorizations

Performance Measurement Systems

SURVEY OF LICENSED RESIDENTIAL BUILDERS

The biennial survey of Licensed Residential Builders is the data source for several key performance measures. Carried out by a market research firm, the builder survey is a self-administered questionnaire sent to all Licensed Residential Builders in British Columbia. The response of 1,169 builders in the 2007/08 survey provides a confidence level of 95% with a maximum margin of error of +/- 2.9%. The response of 1,094 builders in the 2005/2006 survey provides a confidence level of 95% with a maximum margin of error of +/- 3.0%.

CONSUMER SURVEY

The biennial consumer survey is the data source for several key performance measures. Carried out by a market research firm, the survey includes two separate groups of consumers:

1. homeowners with warranty insurance under the *Homeowner Protection Act* on their home, and
2. prospective buyers of new homes in B.C.

The 2006/07 consumer survey included 400 telephone interviews with randomly selected owners of homes with warranty insurance. The response of 400 owners of homes with warranty insurance in the 2006/07 consumer survey provides a confidence level of 95% with a maximum margin of error on the total sample of +/-4.9%. The response of 614 prospective new home buyers (i.e. intending to purchase a home with warranty insurance over the next year) provides a confidence level of 95% with a maximum margin of error on the total sample of +/-4.0%.

DESCRIPTION OF PERFORMANCE MEASURES

Builder satisfaction with licensing system – This measure tracks Licensed Residential Builder satisfaction with the HPO licensing system. Builder satisfaction is tracked through the biennial survey of all licensed builders. Subcomponents of satisfaction being tracked include: fairness of the rules/requirements, application and renewal process, and timeliness of licensing decisions.

Builders' rating of the effectiveness of HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner-builder exemption – The HPO carries out compliance activities to ensure that all new homes in B.C. are built in keeping with the licensing, warranty insurance and owner-builder exemption provisions of the *Homeowner Protection Act*. Licensed builders rate the effectiveness of the compliance efforts through the biennial survey.

Homebuyer awareness of consumer protections under the *Homeowner Protection Act* – This measure tracks buyers of new homes' awareness of the consumer protection measures in place in B.C., specifically licensing of residential builders and warranty insurance requirements. Data for this measure is collected through the biennial survey of prospective buyers of new homes. It should be noted that data for 2006/07 is based on the results of the telephone survey (100 respondents).

Homeowner satisfaction with warranty insurance– This measure tracks homeowner satisfaction with the protection provided by warranty insurance on their new home. Data for this measure is obtained through the biennial survey of owners of new homes with home warranty insurance.

Homeowner satisfaction with the quality of home construction – This measure tracks homeowner satisfaction with the quality of the construction of their home. Data for this measure is obtained through the biennial survey of owners of new homes with warranty insurance.

Homeowner satisfaction with the building process – This measure tracks homeowner satisfaction with the building process for their new home. Data for this measure is obtained through the biennial survey of owners of new homes with warranty insurance.

Performance Measurement Systems

Recovery of home values following building envelope renovation – This measure, tracked annually, monitors the improvement of assessed values of homes with repair loans following the completion of building envelope renovations. The measure is calculated as the percentage of homes in the HPO's Reconstruction Program with completed repairs whose assessed values have increased by an amount equal to or greater than the cost of repairs.

As noted in the 2008-2011 Service Plan, this performance measure is being discontinued. The rationale for this is that the measured results are not directly attributable to the activities of the HPO. In addition, increases in the real estate values have been such that the recovery of home values has reached nearly one hundred percent for the past several years.

Reconstruction loan default rate – This measure, performed on an annual basis, tracks the effectiveness of the Reconstruction Program in helping to ensure that homeowners do not have to lose their homes as a result of building envelope renovation costs. The data used for this measure is the number of loan defaults among homeowners with reconstruction loans, and is benchmarked against residential mortgage default rates in B.C.

Homes with warranty insurance claims – This measure is an indicator of the quality of residential construction in B.C. as reflected in the number of claims made by homeowners for repairs under home warranty insurance. As noted in the 2008-2011 Service Plan, this performance measure is being discontinued. It will be replaced with a new measure "Percentage of home warranty insurance claims that have been resolved by builder or warranty provider." The new measure is an improved indicator of how well the warranty insurance system is working for consumers and addresses data limitations associated with the former measure. A baseline will be established and targets set for this new measure in 2008/09.

Builder rating of their overall relationship with their warranty provider – This measure tracks the licensed builders' rating of their overall relationship with their warranty provider. Builder ratings are tracked through the biennial survey of all licensed builders. Subcomponents of this measure being tracked include: ease of the application process for coverage, cost of the warranty insurance and handling of complaints or claims from consumers.

Homeowner satisfaction with warranty insurance – This is the same measure as described under Goal 2: Informed and Protected Consumers. This measure has been repeated under Goal 3 as homeowner satisfaction is also a valid indicator of the viability of the home warranty insurance system from the perspective of consumers.

Research results disseminated – Recognizing the HPO's role of ensuring that research results and best practices are disseminated to industry and consumers, this measure focuses on the HPO's participation in major research symposia or publications, and the delivery of educational sessions. Prior to 2005/06, targets for this measure have been for two-year periods. Beginning in 2006/07, targets have been set on an annual basis.

Research results incorporated into building standards and best practices – This measure estimates the effectiveness of the HPO in ensuring that results of research projects are incorporated into standards, codes and best practices. The performance measure tracks the HPO's participation and input into the national and provincial code development process, and involvement in the development of best practice guides and training courses.

Leveraging of additional research and education funding – This measure monitors the effectiveness of the HPO in leveraging additional resources for research and education initiatives with industry partners. The target is to leverage at least twice the amount invested by the HPO from other partners for active research and education projects.

Timeliness of decisions on completed license applications – This is a measure of the HPO's responsiveness in making residential builder and building envelope renovator licensing decisions on completed applications for new licences. Specific targets are set to ensure that HPO licensing decisions are made expeditiously, thus avoiding unnecessary and potentially costly delays for residential builders.

Timeliness of decisions on completed homeowner applications for the Reconstruction Program – This measure was introduced in the 2006-2009 Service Plan. It is a measure of the HPO's responsiveness in making decisions on completed homeowner Reconstruction Program applications for financial assistance.

Progress against Shareholder's Letter of Expectations

A key component of the governance framework is the *Shareholder's Letter of Expectations*, which establishes direction from government to the Homeowner Protection Office. It serves as a basis of agreement and mutual understanding between the Shareholder (Government of British Columbia) and the HPO on high-level performance expectations, core services, public policy issues and strategic policies.

As set out in the *Shareholder's Letter of Expectations*, the HPO's priority is to fulfill the government's commitment to strengthen consumer protection for buyers of new homes, improve the quality of residential construction in British Columbia, and provide assistance to qualified owners of water-damaged homes. This is accomplished by ensuring effective planning for, and management and delivery of, programs and services as set out in the HPO's 2007/08 budget as well as the budget targets and Ministry transfers in the HPO's 2007/08 to 2009/10 Service Plan. In addition, the HPO will undertake the following key actions resulting from government direction:

Key Actions Resulting from Government Direction	How HPO Addressed this Direction during 2007/08
In collaboration with industry, develop education and training standards for residential builder licensing.	• Reconvening of Main Task Group to develop a new system of qualifications for HPO licensees in collaboration with industry leaders
Improve communications and education initiatives for consumers.	• Revised and expanded HPO website • Continued development of a new consumer protection guide for homebuyers • Progressed on a new consumer guide on home warranty insurance in British Columbia • Continued development of new Residential Construction Performance Guide • Development of a Registry of New Homes that will soon be available on the HPO website
Work to increase viability of the home warranty insurance system.	• HPO hosts regular meetings of HPO Board/Warranty Provider Liaison Committee
Focus its research and education programs to improve the availability of efficient and cost-effective building science to the industry, and support the integration of new technologies that support quality residential construction.	• Expanded building science available to industry • Formative steps towards the introduction of a new Housing Futures Funding Program

Visit www.hpo.bc.ca/About/Governance to view the Shareholder's Letter of Expectations.

This annual report describes the HPO's performance towards achieving its five strategic directions. These directions are consistent with and support the mandate of the HPO as described under the *Homeowner Protection Act* and are closely aligned with the performance expectations outlined in the *Shareholder's Letter of Expectations*:

- **Professionalization of the residential construction sector**
- **Informed and protected consumers**
- **Continued viability of the home warranty insurance system**
- **Become a strategic centre for building industry research, and**
- **An aligned, focused and capable organization.**

Supporting the Climate Change Agenda

The HPO will implement the government's direction to engage its staff in becoming carbon neutral by 2010.

Glossary of Terms

BUILDING ENVELOPE	the assemblies, components and materials of a building that are intended to separate and protect the interior space of the building from the adverse effects of exterior climatic conditions.
BUILDING ENVELOPE RENOVATION	construction work on a residential building to: 1. repair defects in the building envelope which allow unintended water penetration, or 2. repair damage caused by unintended water penetration.
BUILDING ENVELOPE RENOVATOR	a residential renovator who is licensed under Part 1 of the *Homeowner Protection Act* to engage in, arrange for or manage all, or substantially all, of a building envelope renovation.
FUTURES REPORT	a document containing the HPO Board of Directors' recommendations for the future of the *Homeowner Protection Act* and regulations as well as the Homeowner Protection Office.
LOANS APPROVED	a classification of loan status indicating that a loan to an eligible homeowner for repairs of a water-damaged home has been approved by the HPO.
LOANS ISSUED	a classification of loan status indicating that mortgage instructions have been released by the HPO for execution and registration at the BC Land Titles Office, with funds subsequently released on completion of the registration of the mortgage charge against the title.
OWNER BUILDER	an individual who is exempt from the *Homeowner Protection Act*'s licensing and home warranty insurance requirements in order to build a detached or single self-contained dwelling unit for personal use.
BUILDING ENVELOPE FAILURE	deterioration of the building envelope assembly resulting from environmental factors including airflow, radiant energy, water vapour, rain and snow.
RESIDENTIAL BUILDER	a person who engages in, arranges for or manages all, or substantially all, of the construction of a new home, and includes a developer and a general contractor.

Financial Report March 31, 2008

10 Years
Homeowner Protection Office
1998-2008

Contents

MANAGEMENT DISCUSSION AND ANALYSIS	4
STATEMENT OF MANAGEMENT RESPONSIBILITY	10
AUDITORS' REPORT	11
BALANCE SHEET	12
STATEMENT OF OPERATIONS	13
STATEMENT OF RETAINED EARNINGS	14
STATEMENT OF CASH FLOWS	15
NOTES TO FINANCIAL STATEMENTS	16

Management Discussion and Analysis

OVERVIEW

Revenues collected from residential builder licence fees provide the funding for the Homeowner Protection Office's (HPO) programs with the exception of the Reconstruction Program and the Provincial Sales Tax (PST) Relief Grant Program. Owner Builder Authorization fees collected offset costs of administering the program. The Reconstruction Program is funded by a reconstruction levy on new residential units in multi-unit buildings constructed in the coastal climatic zone. When demand for financial assistance is greater than the revenues collected from the reconstruction levy, the HPO receives bridge financing from the Province of British Columbia. The HPO is required to repay any borrowings obtained through bridge financing over time. The PST Relief Grant Program is administered by the HPO on behalf of the Province of British Columbia. The Province of British Columbia funds all expenditures under this program.

The B.C. residential construction market in which the HPO operates remained strong throughout the current fiscal year. New, multi-unit homes continued to represent a significant proportion of the total new homes enrolled in the warranty insurance program. Residential builders continued to renew their licences and new residential builders became licensed.

Revenues from fees and licences increased slightly over last year as a result of increased activity and implementation of an Owner Builder Authorization Fee and increased licence fees. A significant increase in the demand for financial assistance was experienced as owners of water-damaged homes continued to repair their units.

NET OPERATING RESULTS

A net loss on operations has been incurred as a result of a deficiency of program revenues over expenditures in the Reconstruction Program. While total revenues are up over last year, total expenditures are up $9.8 million over last year mainly due to the increase in the number and value of homeowner repair loans provided by the Homeowner Protection Office to eligible homeowners of water-damaged homes.

Reconstruction levies are close to last year while licence fees are up about $1 million as a result of implementation of an Owner Builder Authorization Fee and an increase in the per unit licence fee. Provincial contributions are up about $1 million mainly due to recovery of PST Relief Grant Rebates paid to homeowners who have repaired their water-damaged homes. More grant applications were received this year than last year. Loan discount recoveries are up $0.7 million over last year as the dollar value of the unamortized discount recovered was greater than last year mainly due to an increase in the value of payments received from homeowners with outstanding loan balances.

Revenues are higher than budget mainly due to a higher registration of multi-units to be constructed in the coastal climatic zone than forecasted. The implementation of the Owner Builder Authorization Fee and an increase in the per unit licence fee was not budgeted as legislative authority to implement fee changes was not available at the time of budget development. Other income from *Building Smart* seminars was higher than budgeted as more participants attended the workshops than forecasted and the sale of building guides was not anticipated.

The budget plan was based on a continuation of a historical annual average of demand in financial assistance. A substantial increase in loan grants occurred in the year over budget as costs of reconstruction repairs rose rapidly and as more eligible homeowners of water-damaged homes undertaking repairs qualified for HPO mortgages and deferred payment loans. This resulted in higher expenditures and a deficit in the Reconstruction Program of ($1.8 million), which impacted the HPO at the organizational summary reporting level with a net loss of ($0.7) million. Net operating results from General Operating Programs contributed in excess of $1 million reducing the overall loss to ($0.7) million. (See Table 1 showing the changes in net operating results.)

Management Discussion and Analysis

(continued)

Table 1:

NET OPERATING RESULTS											
	Actual 2007/2008 ($000's)	Actual % change to actual over last year	**Budget 2007/2008 ($000's)**	Actual % to Budget 2007/2008	**Actual 2006/2007 ($000's)**	Actual % change to actual over last year	**2005/2006 ($000's)**	Actual % change to actual over last year	**2004/2005 ($000's)**	Actual % change to actual over last year	**2003/2004 ($000's)**
Revenues	**30,871**	9.1	**26,674**	15.7	**28,285**	(1.0)	**28,569**	14.6	**24,940**	2.5	**24,339**
Expenditures	**31,611**	45.2	**25,973**	21.7	**21,769**	1.5	**21,440**	2.8	**20,864**	5.9	**19,702**
Net income (loss)	**(740)**	(111.4)	**701**	(205.6)	**6,516**	(8.6)	**7,129**	74.9	**4,076**	(12.1)	**4,637**

RETAINED EARNINGS

Retained earnings of the HPO decreased from $19.4 million in 2006-07 to $18.7 million in 2007-08 due to a deficiency of revenues over expenditures in the Reconstruction Program. (See Table 2 below showing the changes in retained earnings.)

Table 2:

RETAINED EARNINGS									
	2007/2008 ($000's)	% Change over last year	**2006/2007 ($000's)**	% Change over last year	**2005/2006 ($000's)**	% Change over last year	**2004/2005 ($000's)**	% Change over last year	**2003/2004 ($000's)**
Retained earnings	**18,674**	(3.8)	**19,414**	50.5	**12,898**	123.6	**5,769**	240.8	**1,693**

GENERAL OPERATING PROGRAM RESULTS

Major programs: Licensing programs and compliance, research and education, and support services are mainly funded by residential builder and unit licence fees. Seminar fees collected go directly to help offset costs of delivering *Building Smart* seminars. Owner Builder Authorization fees offset costs of processing Owner Builder Authorization applications.

Revenues from license fees are up $1.0 million over last year to $4.6 million in 2007/08 mainly due to an increase in the per unit licence from $25 to $40 per unit effective November 19, 2007. In addition, about $0.5 million was collected in Owner Builder Authorization fees, which came into effect on November 19, 2007. *Building Smart* seminar fees collected are up substantially as a result of increased participation and sale of building guides, which contributed about $0.2 million in revenue to offset partially the costs of delivery and production of materials.

Direct expenditures on industry research and education, and consumer education in the current year, are down over last year's expenditures due to timing of projects. A number of projects have been initiated in the current year but not completed. HPO continued to respond to increased demand for *Building Smart* seminars, publications, and contributions to industry educational initiatives.

Expenditures on licensing and compliance activities are up from $2.1 million in 2006/07 to $2.2 million in 2007/08. Additional resources were expended on implementation of changes in the fee structure and development of online services while meeting an increase in demand for services.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

FINANCIAL ASSISTANCE PROGRAM RESULTS

The HPO continues to provide financial assistance to eligible homeowners repairing water-damaged homes through its Reconstruction Program and administers the PST Relief Grant Program on behalf of the Province of British Columbia.

PST Relief Grant Program

The PST Relief Grant Program provides a rebate on completed building envelope repairs and is available to owners of condominiums, townhouses, detached homes and housing co-operatives. PST Relief Grant payments are up from $2.3 million in 2006/07 to $3.2 million in 2007/08 as more grant applications were received this year than last year.

The PST Relief Grant Program experiences fluctuations in the total value of grant payments as payments are made upon completion of eligible repairs, subject to advance approval of the grant application. As grant applications may be submitted at any time, increases and decreases in the value of PST Relief Grant payments may occur and not necessarily indicative of an increase or a decline in the demand for PST relief on repaired water-damage homes. (See Table 3 below showing the changes in the value of PST Relief Grant payments.)

Table 3:

VALUE OF PST RELIEF GRANT PAYMENTS									
	2007/2008 ($000's)	% Change over last year	**2006/2007 ($000's)**	% Change over last year	**2005/2006 ($000's)**	% Change over last year	**2004/2005 ($000's)**	% Change over last year	**2003/2004 ($000's)**
Grant payments	**3,221**	37.9	**2,336**	(18.7)	**2,874**	(12.1)	**3,271**	30.8	**2,501**

Reconstruction Program

The HPO continues to provide financial assistance to all eligible homeowners as homeowners repair water-damaged homes. The demand for financial assistance continued to increase in 2007/08. This resulted in a deficiency of program revenues over expenditures in the amount of $1.8 million in the current year. Reconstruction loans grants, which represent the expensed portion of the loan discount amortization on new loans, increased substantially from $8.1 million in 2006/07 to $15.2 million in 2007/08 as more loans were issued and at a higher value. Rising reconstruction repair costs was a major contributor to an increase in eligible homeowners qualifying for financial assistance through the HPO in the form of HPO mortgages and deferred payment loans.

The number of additional housing co-operative repair projects approved, expressed in number of units, decreased this year from 449 units in 2006/07 to 151 units in 2007/08. This category of repair loans experiences a high degree of swings in the number of approved repair projects in a year due to a variety of factors including long lead times before reconstruction begins and the size of buildings under repair. (See Table 4 showing the changes in the annual number of approved reconstruction loans expressed in units.)

Management Discussion and Analysis

(continued)

Table 4:

NUMBER OF APPROVED RECONSTRUCTION LOANS (EXPRESSED IN UNITS)									
	2007/2008	% Change over last year	2006/2007	% Change over last year	2005/2006	% Change over last year	2004/2005	% Change over last year	2003/2004
HPO mortgages & deferred payment loans	776	35.0	575	39.9	411	3.0	399	3.9	384
Financial institutions no-interest loans	705	20.3	586	38.5	423	(40.7)	713	4.4	683
Total HPO & financial institutions loans	1,481	27.6	1,161	39.2	834	(25.0)	1,112	4.2	1,067
Total housing co-op repair loans administered through CMHC	151	(66.4)	449	349.0	100	(57.8)	237	(64.5)	667

The average value of the issued loan amounts, excluding co-operative repair loans, increased on average 21% this year from last year, reversing a decrease which occurred in 2006/07 over 2005/06 and returning to a continuation of a trend of significant increases in the average value of issued loans over the last several years with the exception of 2006/07. Increases in costs of reconstruction were higher than the average costs of construction experienced by the industry due to the nature of the reconstruction repairs. The average value per unit of issued reconstruction loans is now $64,056 versus $52,961 in 2006/07. (See Table 5 below showing the average value per unit of issued reconstruction loans independent of housing co-operative loans.)

Table 5:

AVERAGE VALUE PER UNIT OF ISSUED RECONSTRUCTION LOANS									
	2007/2008	% Change over last year	2006/2007	% Change over last year	2005/2006	% Change over last year	2004/2005	% Change over last year	2003/2004
HPO mortgages	$ 73,421	25.1	$ 58,710	(1.6)	$ 59,658	25.9	$ 47,393	14.5	$ 41,383
HPO deferred payment loans	$ 59,131	20.6	$ 49,045	(3.5)	$ 50,823	11.7	$ 45,509	27.9	$ 35,585
Financial institutions no-interest mortgages	$ 59,616	16.6	$ 51,129	(0.8)	$ 51,558	21.6	$ 42,411	5.2	$ 40,308

The total value of housing co-operative repair projects being considered under the Reconstruction Program has increased 23.3% over last year's total cumulative dollar value representing rising costs in new projects and in projects proceeding to repair or under repair. The per unit value of approved housing co-operative repair loans increased 18% over last year's cumulative average loan amount of $66,967 in 2006/07 to $79,099 in 2007/08 due to the continued rising repair costs of co-operative housing units.

Mortgages held by financial institutions are based on the bank's prime lending rate. The annual prime lending rate in 2007/08 averaged 6% in 2007/08 with a low of 5.25% to a high of 6.25%. Last year's average annual prime lending rate was 5.98%. An upward change in the prime lending rate increases the HPO's cost of subsidy interest expense while a downward change in the prime lending rate decreases the HPO's costs of subsidy interest expense.

Interest is paid on housing co-operative loan advances made during the repair period at a construction floating rate set by CMHC. In 2007/08, the average CMHC construction floating rate was 4.1%. On completion of the repairs, the interest rate is set by CMHC at an interest rate equal to the bid yield of a five-year Government of Canada benchmark bond with approximately five years remaining in its term plus not more than 0.75%. On a year-to-date basis, interest rates for post-interest adjustment dates range from a low of 3.71% to a high of 6.25%. (See Table 6 showing the changes in interest subsidy costs.)

Management Discussion and Analysis

(continued)

Table 6:

INTEREST SUBSIDY EXPENSE									
	2007/2008 ($000's)	% Change over last year	2006/2007 ($000's)	% Change over last year	2005/2006 ($000's)	% Change over last year	2004/2005 ($000's)	% Change over last year	2003/2004 ($000's)
Financial institutions	**4,777**	3.3	**4,625**	15.0	**4,021**	8.7	**3,700**	(16.4)	**4,427**
CMHC for housing co-operative loans	**1,900**	33.7	**1,421**	59.1	**893**	33.3	**670**	5.3	**636**
Total interest subsidy cost	**6,677**	10.4	**6,046**	23.0	**4,914**	12.4	**4,370**	(13.7)	**5,063**

Total revenues for the Reconstruction Program are up $0.5 million to $22.6 million in 2007/08 from $22.1 million in 2006/07 due to changes in the number of new multi-units constructed in the coastal climatic zone, which are subject to a reconstruction levy. Loan discount recoveries are up as the dollar value of the unamortized discount recovered is greater than last year mainly due to an increase in the value of payments received from homeowners with outstanding loan balances. (See Table 7 below showing the changes in revenues under the Reconstruction Program.)

Table 7:

REVENUES UNDER THE RECONSTRUCTION PROGRAM									
	2007/2008 ($000's)	% Change over last year	2006/2007 ($000's)	% Change over last year	2005/2006 ($000's)	% Change over last year	2004/2005 ($000's)	% Change over last year	2003/2004 ($000's)
Reconstruction fees	**15,863**	(1.7)	**16,131**	7.1	**15,065**	18.9	**12,675**	24.0	**10,224**
Federal contributions	–	–	–	–	–	–	–	(100.0)	**4,490**
Loan discount recoveries and other	**6,768**	13.1	**5,985**	(12.1)	**6,806**	18.3	**5,752**	43.2	**4,016**
Total revenues	**22,631**	2.3	**22,116**	1.1	**21,871**	18.7	**18,427**	(1.6)	**18,730**

Funds for repair loans advanced throughout the year on behalf of eligible homeowners continued to exceed the incoming funds to operate the Reconstruction Program. This resulted in increased short-term borrowing from the Province of British Columbia by the HPO throughout the year bringing the total cumulative debt obligation to the Province of British Columbia to $53.4 million on March 31st, 2008, up from $34.8 million in 2006/07. The total current cumulative debt obligation includes accrued interest of $0.3 million. It is anticipated that the HPO will repay the bridge financing loans provided by the Province of British Columbia over time with incoming reconstruction levies collected in the ensuing years. (See Table 8 showing the changes in short-term debt and advances due to the Province of BC.)

Management Discussion and Analysis

(continued)

Table 8:

SHORT-TERM DEBT AND ADVANCES DUE TO THE PROVINCE OF BC									
	2007/2008 ($000's)	% Change over last year	2006/2007 ($000's)	% Change over last year	2005/2006 ($000's)	% Change over last year	2004/2005 ($000's)	% Change over last year	2003/2004 ($000's)
Balance outstanding on March 31st	53,400	53.5	34,780	9.3	31,816	12.1	28,388	12.6	25,124

In addition to its debt obligations, the HPO has a commitment to pay the subsidized interest costs on behalf of eligible homeowners for all repair loans provided by financial institutions and CMHC for housing co-operative repair loans. The present value of this commitment has increased from $97 million in 2006/07 to $107 million in 2007/08 mainly as a result of increased interest subsidy provided for cooperative repair projects administered by CMHC. The present value of subsidized interest commitment on loans held by financial institutions decreased as more homeowners became eligible for HPO mortgages and deferred payment loans (See Note 3 (f))

The HPO expects a softening of the housing market and a continuing trend towards a higher proportion of multi-unit residences constructed in the total of new homes constructed as affordability decreases due to rising costs. It is likely that the resale market for multi-unit residences will come off the current highs but the demand for this type of housing will continue, which will enable homeowners to sell their repaired homes and repay their no-interest loans, positively impacting HPO's Reconstruction Program. Expenditures will trend upwards as more water-damaged homes are repaired in an environment of rising construction costs. An environment of decreasing interest rates will moderate the pace of increasing program costs in a major expense category of interest subsidies.

STAFF RESOURCES

HPO operated with a relatively small staff with no change occurring in the total full-time equivalents in 2007/08 from 2006/07. (See Table 9 below showing staff utilization expressed in full-time equivalents.)

Table 9:

FULL-TIME EQUIVALENTS OF STAFF RESOURCES									
	2007/2008	% Change over last year	2006/2007	% Change over last year	2005/2006	% Change over last year	2004/2005	% Change over last year	2003/2004
Full-time equivalents	35	–	35	–	35	2.9	34	3.0	33

Statement of Management Responsibility

The financial statements and all other information contained in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements of the Homeowner Protection Office (HPO) have been prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to financial statements.

Management depends upon a system of internal controls that provide reasonable assurance, on a cost-effective basis, that the financial information is reliable and accurate. The HPO's external auditors independently perform such tests of the system of internal controls, as they consider necessary for the purpose of expressing their opinion on the financial statements.

The Audit and Finance Committee, which comprises directors who are not employees, oversees management's discharge of its financial reporting responsibilities. The committee meets periodically with management and the external auditors to discuss auditing, financial reporting and internal control matters. The external auditors have access to the Audit and Finance Committee without management's presence.

Ken Cameron
Chief Executive Officer

Linda McKay, CMA
Manager, Finance and Administration

May 14, 2008

Auditors' Report

To the Directors of
Homeowner Protection Office

And

To the Minister of Forests and Range and the
Minister Responsible for Housing

We have audited the balance sheet of the Homeowner Protection Office (HPO) as at March 31, 2008 and the statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the HPO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the HPO as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
May 14, 2008

Balance Sheet

AS AT MARCH 31, 2008

(expressed in thousands of dollars)

Assets	2008 $	2007 $
Current assets		
Cash	2,450	1,175
Cash for Reconstruction and PST Relief Grant programs (note 3)	1,334	3,752
Due from Province of British Columbia (note 4)	62	17
Accounts receivable	499	1,416
Prepaid expenses	35	59
Current portion of loans receivable (note 3)	3,151	2,642
	7,531	9,061
Loans receivable (note 3)	67,224	48,042
Property and equipment (note 5)	105	19
	74,860	57,122
Liabilities and Retained Earnings		
Current liabilities		
Accounts payable and accrued liabilities	1,148	903
Loan Loss provision (note 3)	1,638	2,025
Due to Province of British Columbia (note 6)	53,400	34,780
	56,186	37,708
Retained earnings	18,674	19,414
	74,860	57,122

Commitments (note 7)

Approved by the Board of Directors

Director

Director

The accompanying notes form an integral part of these financial statements.

Statement of Operations

FOR THE YEAR ENDED MARCH 31, 2008

(expressed in thousands of dollars)

	2008 $	2007 $
Revenues		
Reconstruction levies	15,863	16,131
Loan discount recoveries (note 2)	6,624	5,883
Licence and exemption fees	4,560	3,527
Provincial contributions	3,386	2,470
Interest	245	181
Other	193	93
	30,871	28,285
Expenditures		
Reconstruction loan grants (note 3(b) and (c))	15,231	8,125
Interest subsidy (note 3(a))	6,677	6,046
PST relief grants	3,221	2,336
Salaries and wages	2,677	2,527
Interest and fees	1,596	1,309
Travel, office and other	1,399	1,223
Legal and professional fees	378	224
Communications and printing	312	219
Research and education	237	329
Rent and utilities	222	205
Amortization	48	36
Loan loss provision	(387)	(810)
	31,611	21,769
Net (Loss) Income from Operations	(740)	6,516

The accompanying notes form an integral part of these financial statements.

Statement of Retained Earnings

FOR THE YEAR ENDED MARCH 31, 2008

(expressed in thousands of dollars)

	2008 $	2007 $
Beginning of year	19,414	12,898
Net (Loss) Income from Operations	(740)	6,516
End of year	18,674	19,414

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2008

(expressed in thousands of dollars)

	2008 $	2007 $
Cash flows from operating activities		
Cash received from		
Residential builders for reconstruction levies	16,781	15,469
Homeowners for principal-only payments on loans	13,782	13,131
Residential builders for licence fees	4,567	3,529
Province of British Columbia for programs	3,364	2,617
Interest on bank deposits	245	176
Partners in funding research and education activities	193	102
Cash paid for		
Homeowners for reconstruction loans	(42,077)	(22,269)
Financial institutions for interest on CMHC-insured loans	(6,682)	(6,036)
Suppliers and employees	(4,984)	(4,467)
Homeowners for PST Relief Grants	(3,221)	(2,336)
Province of British Columbia for loan interest	(1,414)	(1,326)
Financial institutions for defaults on CMHC-insured loans	–	(45)
	(19,446)	(1,455)
Cash flows from investing activities		
Purchase of property and equipment - net	(135)	(13)
Cash flows from financing activities		
Net proceeds from borrowing	18,838	2,981
Province of British Columbia for PST Relief Grant program	(400)	–
	18,438	2,981
(Decrease) Increase in cash	(1,143)	1,513
Cash - Beginning of year	4,927	3,414
Cash - End of year	3,784	4,927
Represented by		
Cash	2,450	1,175
Cash for reconstruction and PST Relief Grant programs	1,334	3,752
	3,784	4,927

The accompanying notes form an integral part of these financial statements.

1. GENERAL

The Homeowner Protection Office (the HPO) was created in 1998 under the *Homeowner Protection Act* S.B.C. 1998, c. 31 (the "*Act*"). The purposes of the *Act* are:

- to license residential builders and other persons required to be licensed under the *Act*;
- to carry out research and education respecting residential construction in British Columbia; and
- to administer the Reconstruction Program to provide financial assistance to eligible homeowners for home reconstruction.

The licence fees collected, including a per unit licence fee for new or building envelope renovated dwelling units, fund all of the operations of the HPO except for the Reconstruction and PST (Provincial Sales Tax) Relief Grant Programs. The Province provides a contribution to the HPO to cover the administration costs and grant payments of the PST Relief Grant Program. The research and education function has a mandate to disseminate information to the residential construction industry and to homeowners in areas such as cost effective building techniques, best practices for retrofitting housing, building code changes and consumer education.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are noted below.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of management estimates relate to the determination of the present value of loans receivable and loan loss provision. Actual results could differ from the estimates.

Property and equipment

Property and equipment are recorded at cost and amortized on a straight line basis over their estimated useful lives as follows:

Computer software and hardware	three years
Leasehold improvements	over the lease term
All other property and equipment	five years

Assets costing less than $1,000 are expensed in the year of purchase.

No-interest loans and deferred payment loans

No-interest loans and deferred payment loans provided by the HPO are concessionary loans in that no interest is charged to the homeowner. These loans are recorded at their net present value (net of grant component) less any provision required for doubtful collection. Net present value is determined by discounting no-interest loans over their terms and discounting deferred payment loans over 20 years at the provincial government borrowing rate for equivalent terms. Present value discounts are recorded as a grant expense. Principal repayments are first applied to the reduced loan balance (net present value)and then recorded as revenue (loan discount recoveries) when received.

Canada Mortgage and Housing Corporation (CMHC) - insured loans

Loans provided by financial institutions under the Reconstruction Program do not appear on the balance sheet of the HPO. However, the HPO has indemnified CMHC for any claims that may be made against CMHC. On these loans up to $375 million with respect to any approved financial institution loans issued under the Reconstruction Program up to October 1, 2024. Accordingly, the HPO's loan loss provision reflects a provision for CMHC-insured loans (note 3).

Loan loss provision

The loan loss provision comprises a general allowance to provide for losses inherent in the loan portfolio for which a specific allowance cannot yet be determined. The loan loss provision is made to reduce the carrying amount of individual loans recorded in the financial statements of the HPO to their estimated realizable amount.

As the HPO indemnifies the CMHC with respect to its insurance of homeowner loans, the HPO reviews the homeowner loan portfolio for any indications of default or impairment. If any default or impairment on outstanding principal amounts has occurred, the HPO records a liability for a loan provision in respect of these loans.

Housing co-operative repair loans are loans on which HPO is liable to pay interest subsidies only. As these loans issued by CMHC carry no recourse to the HPO in the event of borrower default on the loan principal, then no provision is assessed or provided for with respect to housing co-operative repair loans.

Financial dependence

The HPO is financially dependent on the Province of British Columbia for its financing and ability to borrow funds for operations (note 6).

Federal and provincial taxes

The HPO is exempt from corporate income taxes and is not subject to the Goods and Services Tax.

Cash

Cash comprises cash held in a separate account and is not restricted as to use.

Cash for Reconstruction and PST Relief Grant Programs

Cash comprises cash amounts held in separate accounts and restricted as to use (note 3).

3. RECONSTRUCTION PROGRAM

Under the *Act*, money paid to the credit of the Reconstruction Program must only be used for the purposes of the program. Accordingly, cash balances for this program are segregated and shown separately on the balance sheet.

Under the Reconstruction Program, financial assistance is provided to homeowners who cannot afford to pay or obtain conventional financing for repairs to their homes with premature building envelope failure. The financial assistance is secured by mortgages registered against the title of the home to be repaired. This financial assistance is provided in the form of subsidized interest loans, no-interest loans or deferred payment loans as follows:

a) Subsidized interest loans through the first mortgage lender

i) Homeowner

Under agreements with financial institutions and CMHC, the HPO approves loans to homeowners for repairs to homes with premature building envelope failure and issues CMHC insurance certificates for these loans. The loan is advanced by the financial institution that holds a first mortgage on the property and, as a consequence, are not recorded as loans on the balance sheet of the HPO. The homeowner makes monthly principal-only payments to the financial institution. The HPO pays interest on the homeowner's behalf to the financial institution at the prime borrowing rate of the lender. This interest is included in the interest subsidy in the statement of operations.

ii) Housing Co-operatives

Under an agreement with CMHC, the HPO evaluates the eligibility of housing co-operative repair projects with premature building envelope failure for financial assistance. The loan is advanced by CMHC who is also the first mortgage lender. The housing co-operative makes a monthly principal-only payment to CMHC. The HPO pays interest on the housing co-operative's behalf to CMHC. While the repairs are underway and prior to the interest adjustment date (IAD), the HPO pays interest at CMHC's Construction Floating Rate. At IAD, the interest rate on a loan is set for an initial five-year term to equal the bid yield of a five-year Government of Canada benchmark bond with approximately five years remaining in its term plus not more than 0.75% per annum, compounded semi-annually in arrears. This benchmark is also used to set the interest rate for the second and final five-year term. This interest is included in interest subsidy in the statement of operations.

The HPO has not provided guarantees or indemnities for any of the loans to housing co-operatives. The only obligation of the HPO with respect to these loans is to pay interest during the construction period up to one year and thereafter, for a period of ten years. Consequently, neither the loans nor a provision for losses appear on the balance sheet of the HPO.

b) No-interest loans through the HPO

In cases where there is no first mortgage or where the first mortgage lender refuses to provide a loan, the HPO provides a no-interest loan to the homeowner. The homeowner makes principal-only payments to the HPO. Loans advanced directly by the HPO are not CMHC-insured. The net present value of these loans is included in loans receivable in the balance sheet. The net present value of the interest discount has been recorded as reconstruction loan grants in the statement of operations.

c) Deferred payment loans through the HPO

In circumstances where eligible homeowners qualify for no-interest loans under the Reconstruction Program, but whose income is such that they cannot afford at least $50 per month as a principal-only loan payment, the HPO may approve a deferred payment loan. Deferred payment loans do not accrue interest and do not require any payments to be made for as long as the homeowner resides in the home. If the net proceeds from the sale of the home, after repaying other mortgages in priority to the deferred payment loan and paying reasonable legal and real estate expenses, are not sufficient to fully repay the deferred payment loan, then the shortfall may be forgiven. The net present value of these deferred payment loans is included in loans receivable in the balance sheet. The net present value of the interest discount has been recorded as reconstruction loan grants in the statement of operations.

d) Details of loans issued under the Reconstruction Program:

	2008		2007	
	Number of loans	Balance outstanding ($000's)	Number of loans	Balance outstanding ($000's)
On-Balance Sheet Loans				
No interest loans	1,270	49,439	1,018	40,600
Deferred payment loans	1,266	57,831	1,090	38,370
Less: loans discount		(36,895)		(28,286)
	2,536	70,375	2,108	50,684
Less: current portion		3,151		2,642
		67,224		48,042
Third Party Loans (Off-Balance Sheet Loans)				
Subsidized interest loans				
Homeowner	2,055	81,891	2,311	81,766
Housing co-operatives (*)	22	50,682	20	37,580
	2,077	132,573	2,331	119,346
Total loans outstanding	4,613	202,948	4,439	170,030

The allowance for losses on loans comprises:	2008 ($000's)	2007 ($000's)
Beginning of year	2,025	2,880
Recovery of losses during the year	(387)	(810)
Write-offs	–	(45)
End of year	1,638	2,025

(*) In 2007/08, the 22 repaired or under reconstruction comprise 1,143 homes. In 2006/07, the 20 repaired or under reconstruction comprised 1,083 homes.

Cumulative loans approved to March 31, 2008 were as follows:

	Number of loans	Total financial assistance approved ($000's)
Subsidized interest loans		
Homeowners	9,116	301,428
Housing co-operatives (*)	65	284,203
No interest loans	2,373	111,950
Deferred payment loans	2,078	81,633
	13,632	779,214

Total loans approved, but not yet issued were as follows:

	Number of loans	Total financial assistance approved ($000's)
On-Balance Sheet Loans		
No-interest loans	98	7,066
Deferred payment loans	70	4,621
	168	11,687
Off-Balance Sheet Loans		
Homeowners	138	10,188
Housing co-operatives (**)	43	225,034
	181	235,222
Total loans approved, but not issued	349	246,909

(*) The 65 approved housing co-operative loans comprise 3,593 homes.
(**) The 43 approved but not yet issued comprise 2,450 homes.

e) The revenues and expenditures of the Reconstruction Program were as follows:

	2008 ($000's)	2007 ($000's)
Revenues		
Reconstruction levies	15,863	16,131
Loan discount recoveries	6,624	5,883
Interest	144	101
	22,631	22,115
Expenditures		
Reconstruction loan grants	15,231	8,125
Interest subsidy	6,677	6,046
Administrative costs	1,370	1,266
Interest and fees	1,545	1,273
Loan loss provision	(387)	(810)
	24,436	15,900
Deficiency of program revenues over expenditures	(1,805)	6,215

f) The present value of the interest to be paid in the future by the HPO on the subsidized interest loans approved comprises:

	2008 ($000's)	2007 ($000's)
Loans held by financial institutions	30,489	35,597
Housing co-operative repair loans - issued	15,886	9,746
Housing co-operative repair loans - approved but not issued	60,923	51,534
	107,298	96,877

Loans held by financial institutions are amortized over a 15-year period. Housing co-operative repair loans are amortized over a 40-year period.

Loans were approved, but not issued in instances where strata corporations or housing co-operatives had not yet signed contracts for the repair of the building envelope or had not yet passed the final special assessment for the cost of the repairs. It is uncertain if CMHC will issue each housing co-operative repair loan for eligible repairs under the Reconstruction Program due to their independent determination.

4. DUE FROM THE PROVINCE OF BRITISH COLUMBIA

This account receivable includes interest due from the Province of British Columbia (the Province) representing interest earned on the HPO's balance of its overnight bank deposits in the Province's offset interest program, and reimbursement of PST Relief Grant payments made on behalf of the Province. The Province's offset interest program pays interest to the HPO at the prime rate of the Royal Bank of Canada less 1.75% approximately one month in arrears. Under the agreement between the Province and the HPO, the Province reimburses the HPO on a monthly basis for all PST Relief Grant payments made to eligible homeowners.

	2008 ($000's)	2007 ($000's)
PST Relief Grant reimbursement	22	–
Other provincial contributions	25	1
Offset interest earned	15	16
	62	17

5. PROPERTY AND EQUIPMENT

	Cost ($000's)	Accumulated Amortization ($000's)	2008 Net Book Value ($000's)	2007 Net Book Value ($000's)
Furniture and equipment	300	287	13	6
Computer hardware	372	326	46	12
Leasehold improvements	198	174	24	–
Computer software	211	189	22	1
Vehicles	17	17	–	–
	1,098	993	105	19

6. DUE TO PROVINCE OF BRITISH COLUMBIA

The HPO's Board of Directors has approved borrowing to a maximum of $55 million. Subsequent to the year end, the Board approved borrowing to a maximum of $75 million.

At March 31, 2008, the HPO had borrowed $53.4 million made up of short-term borrowings which comprises $10.3 million due April 1, 2008 with interest accrued at 2.40%, $3.1 million due April 9, 2008 with interest accrued at 3.79%, $9.4 million due April 14, 2008 with interest accrued at 4.40%, $3.2 million due April 21, 2008 with interest accrued at 3.57%, $16.1 million due April 22, 2008 with interest accrued at 2.06%, $4.0 million due May 7, 2008 with interest accrued at 3.39% and $7.3 million due May 21, 2008 with interest accrued at 3.28%.

7. COMMITMENTS

The HPO is committed, in the normal course of business, to paying interest on behalf of eligible homeowners to financial institutions. HPO is also committed to CMHC on behalf of eligible co-operatives during the one-year construction period and thereafter, for a 10-year period. The actual interest subsidy payment amounts made and the present value of estimated interest amounts to be paid in the future are disclosed in note 3(e) and (f).

During 2008, the HPO entered into a new lease agreement incorporating its existing lease agreement and supply of additional office space, which expires on January 31, 2011. At March 31, 2008, the HPO has minimum rental obligations under lease as follows:

Year ending March 31	($000's)
2009	348
2010	386
2011	344
	1,078

The rental payments and operating costs are disclosed in the statement of operations.

8. RELATED PARTY TRANSACTIONS

In the normal course of operations the HPO acquires goods and services from the Province of British Columbia under prevailing trade terms. Amounts due to/from the Province of British Columbia and income and expenses during the year are disclosed in the balance sheet and statement of operations respectively.

9. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Section 3855 Financial Instruments Recognition and Measurement

In April 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3855, "Financial Instruments-Recognition and Measurement" ("Section 3855") of the CICA Handbook, which establishes Canadian generally accepted accounting principles for measuring financial assets and liabilities including derivatives. Section 3855 is applicable for the HPO for the fiscal year commencing on April 1, 2008. It is required to be applied retrospectively and the comparative figures are not restated. The HPO is currently determining the impact of this new standard on the financial statements.

Capital Disclosures and Financial Instruments - Disclosure and Presentation

On April 1, 2008, the Office will adopt three new CICA Handbook Sections: Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments-Disclosures", and Section 3863, "Financial Instruments - Presentation". Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital; information about what the entity regards as capital; whether the entity has complied with any capital requirements; and the consequences of not complying with these capital requirements. Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments-Disclosure and Presentation." Section 3863 carries forward unchanged the presentation requirements of Section 3861 while Section 3862 requires enhanced financial instrument disclosures focusing on disclosures related to the nature and extent of risks arising from financial instruments and how the entity manages those risks. The HPO will apply the new disclosures in its 2009 financial statements.

10. EMPLOYEE BENEFIT PLANS

The HPO provides a defined benefit pension plan and other post-retirement benefits to all of its employees.

The HPO contributes to the Public Service Pension Plan (the plan), a jointly trusteed pension plan, to which employees and employers of the public service contribute. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension benefits are defined.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The latest valuation as at March 31, 2005, indicated an unfunded liability of $767 million for basic pension benefits. The next valuation will be as at March 31, 2008, with results available in 2009. The actuary does not attribute portions of the unfunded liability to individual employers. The HPO paid $178,708 for employer contributions to the plan during the year (2007: $181,022).

Under the terms of their employment, employees of the HPO are also entitled to termination and other post retirement benefits that include health care benefits, which are provided under public service benefit plans.

Defined contribution plan accounting is applied to these benefit plans as the HPO has insufficient information to apply defined benefit plan accounting. As such, the cost of employee future benefits for these plans is recognized as an expense in the year contributions are paid.

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